

# MAINE STATE LEGISLATURE

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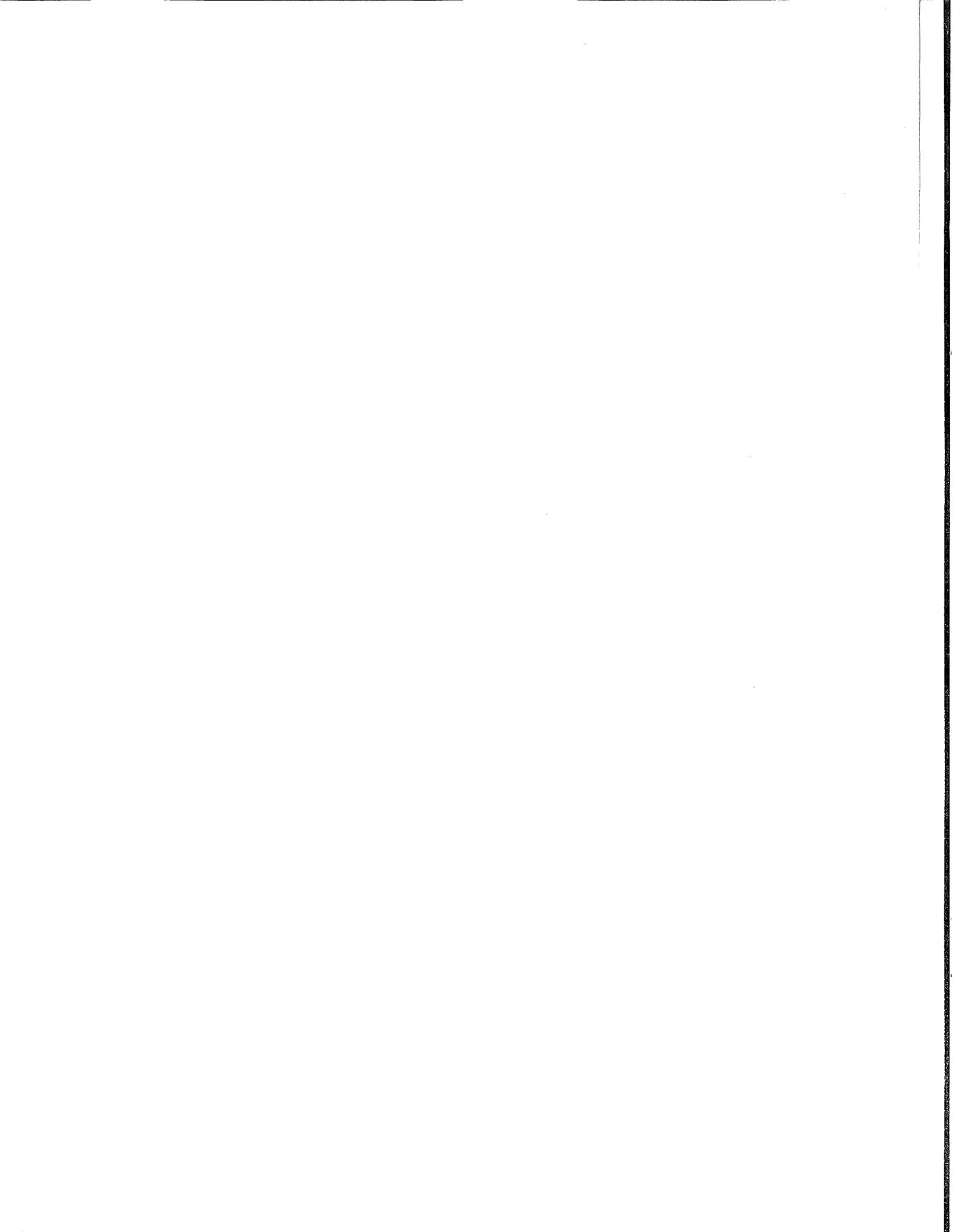
## Review of

- Department of Administration  
Office of Information Services; Bureau of Purchases; Bureau of State Employee Health; Division of Risk Management; Educational Leave Advisory Board
- Capitol Planning Commission
- Maine State Board of Licensure for Architects and Landscape Architects
- Board of Trustees, University of Maine System

# Joint Standing Committee on Audit and Program Review 1989-1990



MAY 10 1990

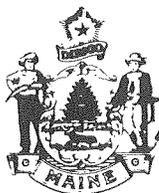


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STATE OF MAINE  
 ONE HUNDRED AND FOURTEENTH LEGISLATURE  
 COMMITTEE ON AUDIT AND PROGRAM REVIEW

April 1990

Members of the Legislative Council,

We are pleased to transmit the Committee's 1989-1990 report to you in four volumes. To simplify our process and reduce costs, this year the Committee used draft reports to circulate its initial recommendations. These four volumes represent our final conclusions about the agencies under review. The report includes statutory and administrative recommendations and findings on the:

- Department of Finance
  - Bureau of the Budget
  - Bureau of Taxation
- Finance Authority of Maine
- Office of the State Treasurer
- Maine Municipal Bond Bank
- Department of Audit
- Bureau of Capitol Security
- Maine's child welfare service delivery system;
- Department of Administration, Part II
  - Office of Information Services;
  - Bureau of Purchases;
  - Bureau of State Employee Health;
  - Division of Risk Management;
  - Capitol Planning Commission;
  - Educational Leave Advisory Board;
- Maine State Board of Licensure for Architects and Landscape Architects;
- Board of Trustees, University of Maine System; and
- Maine Emergency Medical Services System.

In addition to the diligent work of the Committee members, we would like to particularly thank the adjunct members who served on our subcommittees from other Joint Standing Committees and the many agency staff and public who assisted the Committee in its deliberations. Their expertise enriched and strengthened the review process.

The Committee's recommendations will serve to improve state agency performance and efficiency by increasing management and fiscal accountability, resolving complex issues, clarifying Legislative intent and increasing Legislative oversight. We invite questions, comments and input regarding any part of this report.

Sincerely,

  
 Beverly M. Bustin  
 Senate Chair

  
 Neil Rolde  
 House Chair



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# Committee Organization

## AUDIT & PROGRAM REVIEW SUBCOMMITTEE #1 Review Assignment

- Maine's child welfare service delivery system;
- Department of Administration, Part II
  - Office of Information Services;
  - Bureau of Purchases;
  - Bureau of State Employee Health;
  - Division of Risk Management;
  - Capitol Planning Commission;
  - Educational Leave Advisory Board;
- Maine State Board of Licensure for Architects and Landscape Architects;
- Board of Trustees, University of Maine System; and
- Maine Emergency Medical Services Office.

### MEMBERS:

**Senator Beverly M. Bustin,**  
Co-Chair  
**Representative Neil Rolde,**  
Co-Chair  
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**Representative Harriet Ketover**  
**Representative Beverly Daggett**  
**Representative Harold Macomber**  
**Representative George Townsend**  
**Representative Eleanor Murphy**  
**Representative Catharine Lebowitz**  
**Representative Wesley Farnum**

### ADJUNCT MEMBERS:

**Representative Ruth Joseph**  
Joint Standing Committee on State  
and Local Government  
**Representative Mary Cathcart**  
Joint Standing Committee on Human  
Resources  
**Representative Jean Dellert**  
Joint Standing Committee on Human  
Resources



# **The Committee Process**

The Joint Standing Committee on Audit & Program Review was created in 1977 to administer Maine's Sunset Act which "provides for a system of periodic justification of agencies and independent agencies of State Government in order to evaluate their efficacy and performance " [3 MRSA Ch. 33 §921 et. seq.]. To carry out its mandate, the goal of the Audit Committee is to increase governmental efficiency by recommending improvements in agency management, organization, program delivery, and fiscal accountability.

The Committee process unfolds in five distinct phases:

## **PHASE ONE: RECEIPT OF PROGRAM REPORTS**

The law requires that agencies due for review must submit a Program Report to the Committee. The Program, or Justification, Report prepared by the agency provides baseline data used to orient staff and Committee to the agency's programs and finances.

## **PHASE TWO: REVIEW BEGINS**

At the start of each review, the Committee Chairs divide the full Committee into subcommittees, appoint subcommittee chairs, and assign each subcommittee responsibility for a portion of the total review. Each subcommittee is augmented by at least one member from the committee of jurisdiction in the Legislature; i.e. the subcommittee reviewing Maine's child welfare service delivery system will include a member of the Human Resources Committee.

## **PHASE THREE: SUBCOMMITTEE MEETINGS**

The subcommittees created by the Committee meet frequently when the Legislature is in session and every three to four weeks to between the sessions to discuss issues regarding the agency and to make recommendations for change. Staff will prepare material for the subcommittee's deliberation and present it to the subcommittee in one of several forms; as an option paper, discussion paper, or information paper. The Committee has found that these formats facilitate its process by cogently and objectively describing the topic for discussion and the points necessary for expeditious decision-making. These subcommittee meetings are not formal hearings but are open to the public and are usually well attended by interested parties. The subcommittees conduct their business in an open manner, inviting comment, and providing a forum for all views to be heard and aired.

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#### **PHASE FOUR: FULL COMMITTEE MEETINGS**

The full Audit & Program Review Committee considers the recommendations made by each subcommittee. These meetings are another opportunity for the public to express its views.

#### **PHASE FIVE: THE LEGISLATURE**

Following the full Committee's acceptance of subcommittee recommendations, Committee staff prepare a text and draft a bill containing all the Committee's recommendations for change. The Committee introduces this bill into the Legislative session in progress and the legislation is then referred to the Audit & Program Review Committee. As a final avenue for public comment prior to reaching the floor, the Committee holds public hearings and work sessions on all its recommendations. After the Committee concludes final deliberations and amendments, the bill is amended and placed on the calendar for consideration by the entire Legislature.

# Summary of Recommendations

The Committee makes both Statutory and Administrative recommendations. In some instances, the Committee will issue a finding which requires no action but which highlights a particular situation. The Committee's bill consists of the Statutory Recommendations. Administrative recommendations are implemented by the agencies under review without statutory changes. A simple listing of the Committee's recommendations and findings appears here. Narratives describing the background and rationale for these proposed changes appear throughout the reports.

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STATUTORY	1.	Reorganize the Office of Information Services to promote organizational efficiency and to provide needed services without direct costs to state agencies.
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STATUTORY	2.	Repeal the provision in current law which specifies that Assistant to the Deputy Commissioner positions are members of the unclassified service.
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FINDING	3.	The Joint Standing Committee on Audit & Program Review finds that there is a need for state agencies to develop internal information systems structures which complement and parallel the structure and mission of the Office of Information Services.
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STATUTORY	4.	Amend current law to require that all information service policies and standards must be approved by the Information Services Policy Board.
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STATUTORY

5. Amend current law to authorize the Information Services Policy Board to have jurisdiction and oversight responsibilities for the Telecommunications Division within the Office of Information Services.
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STATUTORY

6. Amend current law to allow the Office of Information Services to develop written data processing and telecommunications standards, subject to approval by the Information Services Policy Board, and that these standards be included in the annual Office of Information Services' report to the Legislature.
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STATUTORY

7. Amend current law to allow the Information Services Policy Board to develop a strategic planning process for use by state government.
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STATUTORY

8. Specify that semi-autonomous state agencies will have information systems which are compatible with those approved by the Information Services Policy Board.
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STATUTORY

9. Specify in current law that the Legislature and Judiciary are not subject to the authority of the Information Services Policy Board.
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FINDING

10.

The Joint Standing Committee on Audit & Program Review finds an ongoing need for the Legislative and Judicial branches to work with the Information Services Policy Board in a cooperative fashion to develop information systems which are compatible with the policies and standards approved by the Board.

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STATUTORY

11.

Amend current law to specify that the Chair of the Information Services Policy Board shall be the member appointed by the Governor from the Governor's Office.

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ADMINISTRATIVE

12.

Direct that the Chair of the Information Services Policy Board act to enforce the provisions of current law which requires that designees must be persons in policy-influencing positions.

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STATUTORY

13.

Amend current law to specify that members of the Information Services Policy Board must appoint a single individual as their designee for attendance at board meetings.

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STATUTORY

14.

Amend current law to decrease the number of required Information Services Policy Board meetings per year from at least 10 to at least 4.

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STATUTORY            15.            Amend current law to specify that the Secretary of State is a member of the Information Services Policy Board.

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STATUTORY            16.            Repeal the current responsibility of the Information Services Policy Board to develop a data exchange procedure.

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STATUTORY            17.            Repeal an outdated mandate for the Information Services Policy Board to report on the need to further centralize data processing functions and personnel.

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ADMINISTRATIVE      18.            Direct the Office of Information Services and the Information Services Policy Board to conduct a study concerning the feasibility of becoming a part of the Governor's Office. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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ADMINISTRATIVE 19.

Direct that the Office of Information Services and the Information Services Policy Board conduct a comprehensive study regarding the manner in which information service functions are organized, funded, and staffed in other states. Also gather information as to the various Board of Director configurations that other states may use to develop information service policy. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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ADMINISTRATIVE 20.

Direct that the Office of Information Services and the Information Services Policy Board conduct a feasibility study regarding the use of the so-called "smart-card" for state government. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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ADMINISTRATIVE 21. Direct that the Office of Information Services and the Information Services Policy Board undertake a complete review of the dual mainframe system currently used by the Bureau of Data Processing, possibly through use of an outside consultant. Report during the compliance review to the Joint Standing Committees on State and Local Government and Audit & Program Review on the results of this review with any subsequent recommendations.

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ADMINISTRATIVE 22. Direct that the newly created Senior Planner position in the Bureau of Data Processing be used to staff the Information Services Policy Board.

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ADMINISTRATIVE 23. Direct that the Office of Information Services work to provide a common office location for the Systems and Programming Division and the proposed Division of Information Resource Management. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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ADMINISTRATIVE 24. Direct that the Bureau of Data Processing take advantage of existing opportunities to allow agencies the option of having projects completed on a fixed cost basis. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the frequency by which fixed-cost projects are being used and with what degree of success.

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ADMINISTRATIVE 25. Direct that the Bureau of Data Processing strive to fill the currently vacant position of Deputy Director. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the current status of that position.

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FINDING 26. The Joint Standing Committee on Audit & Program Review finds that the current facilities for the Bureau of Data Processing are inadequate in terms of space, safety, and efficiency.

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ADMINISTRATIVE 27. Develop a prioritized list of current facility problems and possible responses to each problem. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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ADMINISTRATIVE 28.

Direct that the Telecommunications Division and the Bureau of Human Resources treat the classification, recruitment, and hiring process for the newly authorized positions in the Telecommunications Division as a priority. Report on July 1, 1990 to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review on the efforts to fill these positions with a special emphasis on the degree to which middle management positions have been created and filled.

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ADMINISTRATIVE 29.

Revise the telecommunications billing process to promote accountability and improve the ability of agencies to accurately budget for telecommunications services. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review during the compliance review of the Division's efforts to revise the present billing process.

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ADMINISTRATIVE 30.

Devise a current business plan by which potential cost centers are identified, and a new set of telecommunication rates can be established. Provide this plan and a new telecommunications rate structure during the compliance review to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review Committee.

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ADMINISTRATIVE 31.

Improve the process by which all state owned telecommunications equipment is accurately recognized as assets and that such equipment is properly depreciated to minimize the impact of future replacement costs. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review by January 1, 1991, on the current dollar figure for Total Fixed Assets and the efforts to depreciate all state owned telecommunications equipment.

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ADMINISTRATIVE 32.

Allow, whenever possible, agencies the option of having telecommunications projects completed on a fixed-cost basis. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review during the compliance review on the frequency by which fixed-cost projects are being used and with what degree of success.

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ADMINISTRATIVE 33.

Direct that the Telecommunications Division and the Bureau of Public Improvements work to develop a policy which determines which agency should pay for the often unanticipated costs associated with telecommunications work required during minor renovations. Report to the Joint Standing Committee on Audit & Program Review during the compliance review with a written policy.

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**BUREAU OF PURCHASES**

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ADMINISTRATIVE 34. Suggest that the composition of the Contract Review Committee be changed by replacing the Deputy Commissioner of the Office of Information Services with the Director of the Bureau of Human Resources.

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ADMINISTRATIVE 35. Suggest that the members of the Contract Review Committee be allowed to appoint single designees.

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ADMINISTRATIVE 36. Direct the Bureau of Purchases to proceed with its revision of the Financial Procedures Manual, particularly as it pertains to special service contracts. Report during the compliance review to the Joint Standing Committee on Audit & Program Review on the status of the revision.

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ADMINISTRATIVE 37. Require that agencies submit contracts for approval at least two weeks prior to the effective date of the proposed contract.

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ADMINISTRATIVE 38. Revise the standard contract form to state that the contract is in effect only after final approval of the Contract Review Committee.

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ADMINISTRATIVE 39. Require that agencies submit fully executed personal services contracts at the beginning of the contract review process.

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ADMINISTRATIVE 40. Review the contract approval process as it relates to the involvement of agencies and the Contract Administrator and make any necessary improvements.

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ADMINISTRATIVE 41. Work with the Joint Standing Committee on Audit & Program Review to further review the analysis of the contract approval process with the purpose of identifying those agencies which may need assistance in improving their handling of the contract approval process. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the results of this effort.

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FINDING 42. The Joint Standing Committee on Audit & Program Review finds that there is a need for a strengthened appeals process for the awarding of state contracts to private vendors.

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ADMINISTRATIVE 43. Direct the Bureau of Purchases to report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the negotiations for a new commodity to be produced by the Maine Center for the Blind and Visually Impaired for purchase by the State of Maine.

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ADMINISTRATIVE 44. Direct the Work Center Purchases Committee to use its existing statutory authority to issue, where warranted, contracts having a duration of longer than one year.

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ADMINISTRATIVE 45. Direct the State Purchasing Agent to focus on providing, within available resources, needed technical assistance to certified work centers. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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ADMINISTRATIVE 46. Direct the Bureau of Purchases to review the overall operation of the federal surplus program to reduce operational expenditures and increase efficiency. Report during the compliance review to the Joint Standing Committees on State and Local Government and Audit & Program Review on any subsequent actions and recommendations.

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FINDING

47. The Joint Standing Committee on Audit & Program Review finds that it may be advantageous for the Special Committee on the New Capitol Area Master Plan to consider a proposed land exchange whereby the state would exchange property with the Augusta Sanitary District. The purpose of this exchange would be to acquire property needed to expand the Central Warehouse facility.
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**BUREAU OF STATE EMPLOYEE HEALTH**

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STATUTORY

48. Transfer the Employee Assistance Program statutes to Title 5 and update all references to reflect the status of the Employee Assistance Program as a part of the Bureau of State Employee Health.
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ADMINISTRATIVE

49. Direct the State Employee Health Commission, the Bureau of State Employee Health, and the Commissioner of Administration to develop a proposal to clarify the existing financial relationship among the first three entities. Report during the compliance review to the Joint Standing Committees on Appropriations and Financial Affairs and Audit & Program Review.
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ADMINISTRATIVE 50. Direct the Bureau of State Employee Health, with the advice of the State Employee Health Commission, to develop plans for a statewide survey to assess the health needs of state employees. Report to the Joint Standing Committees on Audit & Program Review and State and Local Government by September 15, 1990.

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ADMINISTRATIVE 51. Direct the Bureau of State Employee Health to pursue the possibility of using the Reed Center for fitness programming after having resolved any questions of legal liability. Report to the Joint Standing Committee on Audit & Program Review by September 15, 1990 on this possibility.

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ADMINISTRATIVE 52. Direct the Bureau of State Employee Health and the State Employee Health Commission to develop a comprehensive proposal to enable state employees to have leave time to attend Bureau of State Employee Health programs. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review by January 1, 1991 on efforts to expand the existing leave program.

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STATUTORY

53.

Amend current law to specify that the per employee fee used to fund the Bureau of State Employee Health will be assessed to all agencies that have employees who are eligible to participate in the state employee health insurance plan.

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STATUTORY

54.

Amend current law to specify that any eligible agency not paying the per employee fee as of January 1, 1990, shall pay the fee starting in the FY 92 - FY 93 biennium.

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STATUTORY

55.

Authorize the Director of the Bureau of State Employee Health to set per employee fees for agencies outside of the executive branch which are proportional to agency use of Bureau programs.

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STATUTORY

56.

Amend current law to specify that the State Budget Officer shall work with any applicable state agencies to determine the amounts which need to be budgeted to pay the per employee fee.

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ADMINISTRATIVE 57. Direct that the Commissioner of Administration undertake a comprehensive review of the mileage reimbursements currently paid to employees of the Employee Assistance Program and report to the Joint Standing Committee on Audit & Program Review by September 15, 1990 with any subsequent recommendations or actions.

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**DIVISION OF RISK MANAGEMENT**

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STATUTORY 57. Authorize one additional position for the Division of Risk Management.

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STATUTORY 58. Amend current law to authorize that deductibles for state insurance policies can be set at 25% of the balance of the Risk Management Fund.

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STATUTORY 59. Amend current law to provide needed flexibility in the setting of premiums paid by state agencies for insurance coverage through the Risk Management Fund.

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STATUTORY 60. Amend current law to allow payments from the Risk Management Fund for claims costing less than \$250.

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**EDUCATIONAL LEAVE ADVISORY BOARD**

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STATUTORY            61.            Continue the Educational Leave Advisory Board for one year under the provisions of the Maine Sunset law.

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ADMINISTRATIVE    62.            Conduct a detailed review of the current adequacy of governing statutes and existing guidelines. Submit a written report concerning the results of this review, and any subsequent recommendations, to the Joint Standing Committees on Audit & Program Review and State and Local Government by October 1, 1990.

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**CAPITOL PLANNING COMMISSION**

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STATUTORY            63.            Continue the Capitol Planning Commission for one year, pending completion of the work of the Special Committee on the New Capitol Area Master Plan.

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**MAINE STATE BOARD OF LICENSURE FOR ARCHITECTS AND LANDSCAPE ARCHITECTS**

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STATUTORY            64.            Amend current law to extend the grandfathering date for the licensing of landscape architects to 1992.

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BOARD OF TRUSTEES, UNIVERSITY OF MAINE SYSTEM

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FINDING                    65.                    The Joint Standing Committee on Audit & Program Review finds that there is a need for the Board of Trustees to develop a written policy regarding the use of discretionary funds by campus presidents.

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ADMINISTRATIVE        66.                    Develop a written policy which identifies a minimum percentage of total expenditures for each campus which should be used for maintenance purposes. Report to the Joint Standing Committees on Appropriations and Financial Affairs and Audit & Program Review in a year's time on any subsequent action taken.

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## DEPARTMENT OF ADMINISTRATION

### INTRODUCTION

The Department of Administration provides administrative services to other departments and agencies of Maine State Government. When compared to other state agencies, the Department of Administration is unusual in that it generally does not provide services to the public.

The Department of Administration is a relatively new part of Maine State Government; having been created by PL 1985, Ch. 785. This law represented a major change in the manner in which administrative and financial management services were provided to departments and agencies within Maine State Government. Several significant organizational changes were made during that reorganization:

- The former Department of Finance and Administration was split into the Departments of Finance and Administration with a delegation to each of the corresponding responsibilities of financial/budgetary management and administrative services;
- The former Office of the Commissioner of Personnel was renamed as the Bureau of Human Resources and placed within the Department of Administration;
- The former Governor's Office of Employee Relations was renamed as the Bureau of Employee Relations and placed within the Department of Administration;
- The Department of Administration also included a new organizational unit titled as the Office of Information Services. This office, headed by a Deputy Commissioner, includes two organizational units: Telecommunications which was formerly a part of the Bureau of Public Improvements and the Bureau of Data Processing which was formerly known as Central Computer Services and had a direct reporting relationship to the former Commissioner of the Department of Finance and Administration;

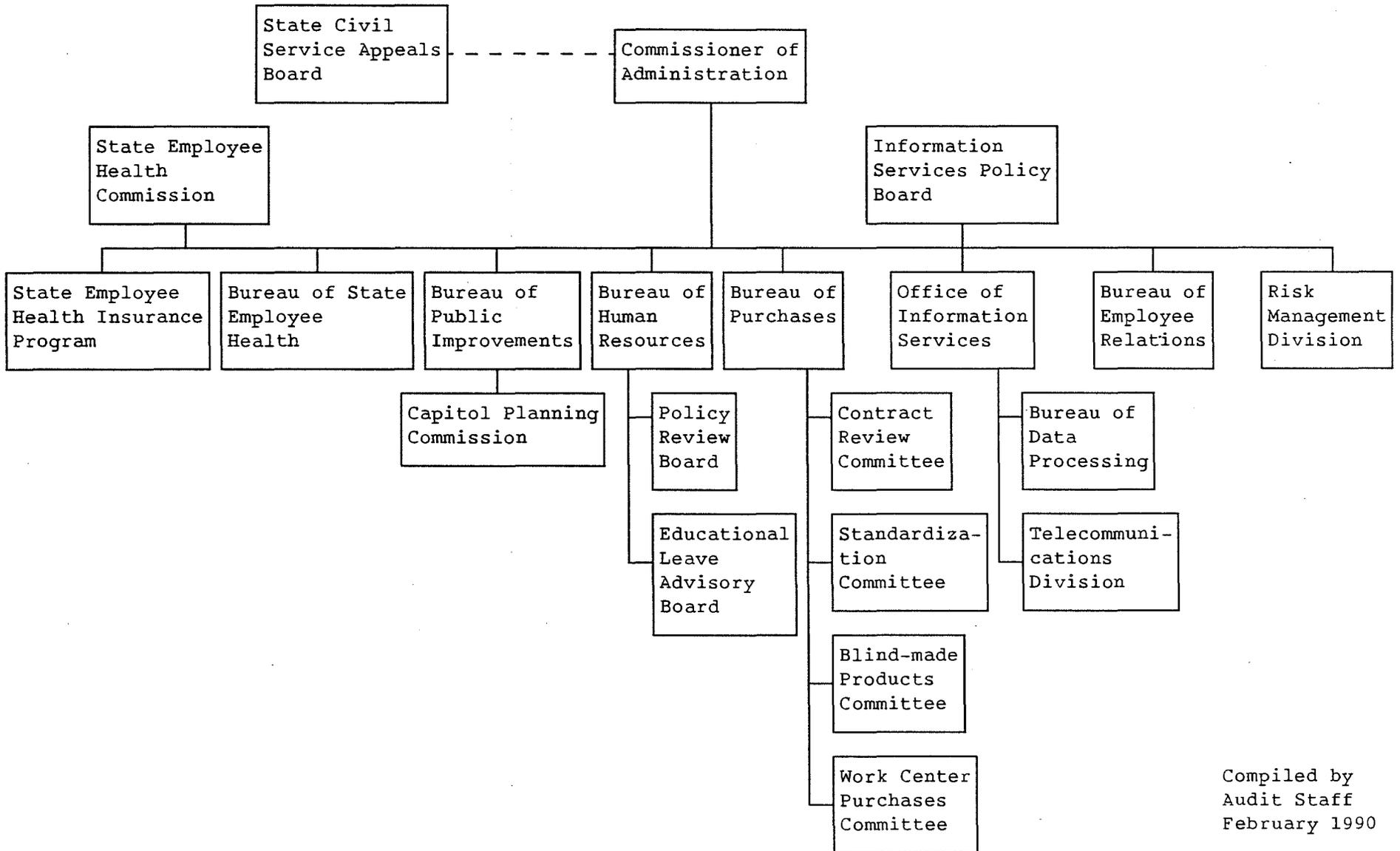
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- Another new organizational unit, the Bureau of State Employee Health, was created to administer health programs for state employees; and
  - Most recently, the 1st Regular Session of the 114th Legislature approved a reorganization which decentralized administrative services within the Department by disbanding the Division of Administrative Services.

As presently constituted, the Department of Administration has 14 principal organizational units. The organization of the Department of Administration is depicted in the accompanying chart. Brief descriptions of each organizational unit are as follows:

- Commissioner. Functions as the Chief Executive Officer for the Department. The Commissioner's office now includes the Director of Administrative Services, the Director of Finance and the Personnel Officer, all of whom were formerly in the Division of Administrative Services;
- State Employee Health Commission. Responsible for securing and overseeing all state employee health insurance policies, as well as advising the Bureau of State Employee Health on all employee health and wellness programs;
- State Employee Health Insurance Program. Administers health and dental insurance programs offered to state employees;
- Office of Information Services. Provides strategic planning, centralized computer and telecommunication services for all parts of Maine State Government;
- Information Services Policy Board. Develops and approves information service policies, standards and planning efforts for all parts of Maine State Government;
- Bureau of State Employee Health. Administers programming to improve the health and well being of Maine State Employees;
- Bureau of Employee Relations. Acts as the state's representative in the collective bargaining process with state employees and administers the state's workers' compensation program;

DEPARTMENT OF ADMINISTRATION:

ORGANIZATIONAL CHART



Compiled by  
Audit Staff  
February 1990

- 
- Bureau of Public Improvements. Administers and maintains all state owned facilities and coordinates the efforts to lease space for state agencies;
  - Bureau of Purchases. Administers the procurement of most services, supplies, materials and equipment needed by Maine State Government;
  - Risk Management Division. Administers all self-insured and purchased insurance programs which are intended to cover the operations and activities of Maine State Government;
  - Bureau of Human Resources. Administers the personnel process for all parts of Maine State Government;
  - State Civil Service Appeals Board. Hears employee grievances and reclassification/reallocation appeals for all state employees not covered by the terms of a collective bargaining agreement;
  - Educational Leave Advisory Board. Approves all educational leaves with a duration of longer than one week; and
  - Capitol Planning Commission. Responsible for planning and land use in the capital district with the exception of the State House and adjoining property.

During its 1988 review, the Committee reviewed the following parts of the Department of Administration:

- Bureau of Public Improvements;
- Bureau of Human Resources;
- Bureau of Employee Relations;
- State Employee Health Commission;
- State Employee Health Insurance Program;
- State Civil Service Appeals Board; and
- Educational Leave Advisory Board.

The remaining parts of the Department of Administration have been reviewed as a part of this year's review effort:

- Commissioner's Office;
- Office of Information Services (which includes the Bureau of Data Processing and the Telecommunications Division);

- 
- Bureau of Purchases;
  - Bureau of State Employee Health;
  - Division of Risk Management; and
  - Capitol Planning Commission.

### **Office of the Commissioner**

The Office of the Commissioner provides executive leadership for the Department of Administration. The Commissioner is appointed by the Governor, subject to review by the Joint Standing Committee on State and Local Government and approval by the Legislature.

As defined in statute (5 MRS §1877), the Commissioner is responsible for:

- appointing a Deputy Commissioner, subject to legislative approval, for the Office of Information Services;
- appointing bureau chiefs, division directors, and assistants to the Deputy Commissioner;
- appointing other employees, subject to the requirements of the State Civil Service Law;
- supervising and directing activities of the department;
- requiring that agencies within the department engage in planning efforts and assisting them when necessary;
- monitoring the progress of each organization within the department;
- providing necessary administrative services within the Department;
- reporting to the Legislature on a biennial basis;
- authorizing expenditure of funds for asbestos abatement in state court buildings; and
- developing priorities for improving air quality and ventilation in state buildings.

### History

The Commissioner's office was established by Ch. 785 of PL 1985, which took effect on July 1, 1986. As originally conceived, the Commissioner's Office consisted of the Commissioner and an administrative secretary.

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Most recently, the First Regular Session of the 114th Legislature enacted legislation which disbanded the former Division of Administrative Services by decentralizing most financial personnel to agencies within the Department and by placing the rest of the former Division within the Commissioner's Office. This reorganization also resulted in the elimination of one authorized Clerk II position.

#### Method of Operation

The current Commissioner has sought to achieve the Department's responsibilities by placing an emphasis on several areas. First, the Commissioner has made extensive use of customer relations through the use of weekly cabinet meetings; frequent department visits; quarterly service reports from each agency; a bi-monthly newsletter to some 4,000 state managers and lead workers; customer service training for all senior managers in the Department of Administration; and development of an intra-departmental "Customer Relations Task Force" to improve areas of service.

In addition, the Commissioner has assured support for the agencies within the Department by developing measurable annual goals for each agency within the Department; convening weekly staff meetings of senior directors; and developing a service needs survey.

Finally, the Commissioner's office has tried to improve governmental effectiveness by contributing to a joint effort to develop MFASIS, the state's new automated system for financial and administrative services; developing more appropriate facilities for state agencies; developing and administering asbestos abatement and air quality improvement programs; decentralizing human resources functions; improving management of various insurance programs; improving employee grievance procedures; undertaking a cooperative effort with labor to improve employee health insurance management; restructuring of purchasing procedures; developing and refining employee health programs; and developing innovative safety and injury reduction programs.

#### Organization and Staffing

The present day Commissioner's Office includes certain personnel from the former Division of Administrative Services. The remainder of the former division was placed within agencies of the Department. The former and current organizational structures of the Commissioner's Office are depicted in the following diagram:

**DEPARTMENT OF ADMINISTRATION  
REORGANIZATION OF THE FORMER  
DIVISION OF ADMINISTRATIVE SERVICES**

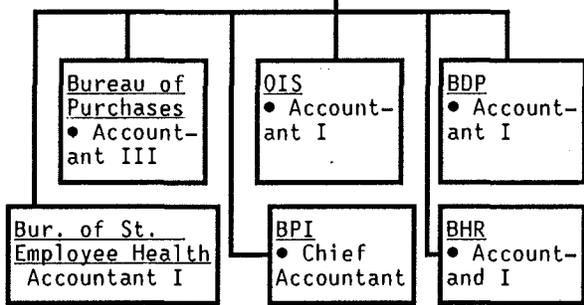
Prior to July 1, 1989

After July 1, 1989\*

Commissioner's Office  
 • Commissioner  
 • Administrative Secretary

Commissioner's Office  
 • Commissioner  
 • Administrative Sec.  
 • Director of Adm. Services  
 • Director of Finance  
 • Personnel Officer  
 • Clerk IV  
 • Clerk Typist III  
 • Account Clerk II  
 • Accountant I

Division of Administrative Services  
 • Director of Adm. Services  
 • Clerk Typist III  
 • Director of Finance • Personnel Officer  
 • Chief Accountant • Clerk IV  
 • Account Clerk II • Account Clerk II  
 • Accountant I (3)  
 • Accountant II  
 • Accountant III  
 • Clerk II



Agencies within the Dept. of Administration

\* one clerk II position was abolished

Compiled by Audit Staff  
July 1989

Funding and Expenditures

Currently, all positions and expenses in the Commissioner's office are provided by the General Fund. In the current biennium, the Commissioner's office has projected expenditures of \$316,616 for FY 90 and \$316,308 for FY 91.



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## OFFICE OF INFORMATION SERVICES

The Office of Information Services is the part of state government which has responsibilities for coordinating and providing the information services required by Maine state government. As stated in statute, "in order to make the best use of the very valuable data and information that is continuously created throughout state government, it is necessary to develop the means by which coordination of effort and use may be achieved. It is in the best interest of the state to be able to develop and use computer data and information in the most efficient manner possible". (5 MRSA §1881)

The chief executive officer of the Office of Information Services, the Deputy Commissioner, has a number of specific statutory responsibilities:

- to **supervise data processing** within state government;
- to **approve the acquisition and use** of all data processing and telecommunications equipment and systems used by state government;
- to **maintain central telecommunications services** for state government;
- to **develop data processing training programs** for state employees;
- to **provide staff and technical expertise** for **data processing** used in state government;
- to **develop and administer various data processing standards** in conjunction with the Information Services Policy Board, ;
- to **maintain central data processing services** for use by state government;
- to **develop and implement a comprehensive master plan for informations services** in state government;
- to **levy charges** for services provided to state government;
- to **submit a budget**;

- 
- to employ or engage necessary professional and technical service providers;
  - to make necessary rules, subject to approval by the Information Services Policy Board and the Commissioner;
  - to protect, as necessary, all data processing files;
  - to assist and make recommendations to the Information Services Policy Board; and
  - to report annually to the Legislature on achievements, problems and initiatives of the Office of Information Services.

#### History

The Office of Information Services is a relatively new part of state government. This agency was established in 1986 to provide a comprehensive approach towards coordinating and providing information services for state government. Prior to the establishment of the Office of Information Services, state government did not have an agency with a similar purpose and set of responsibilities.

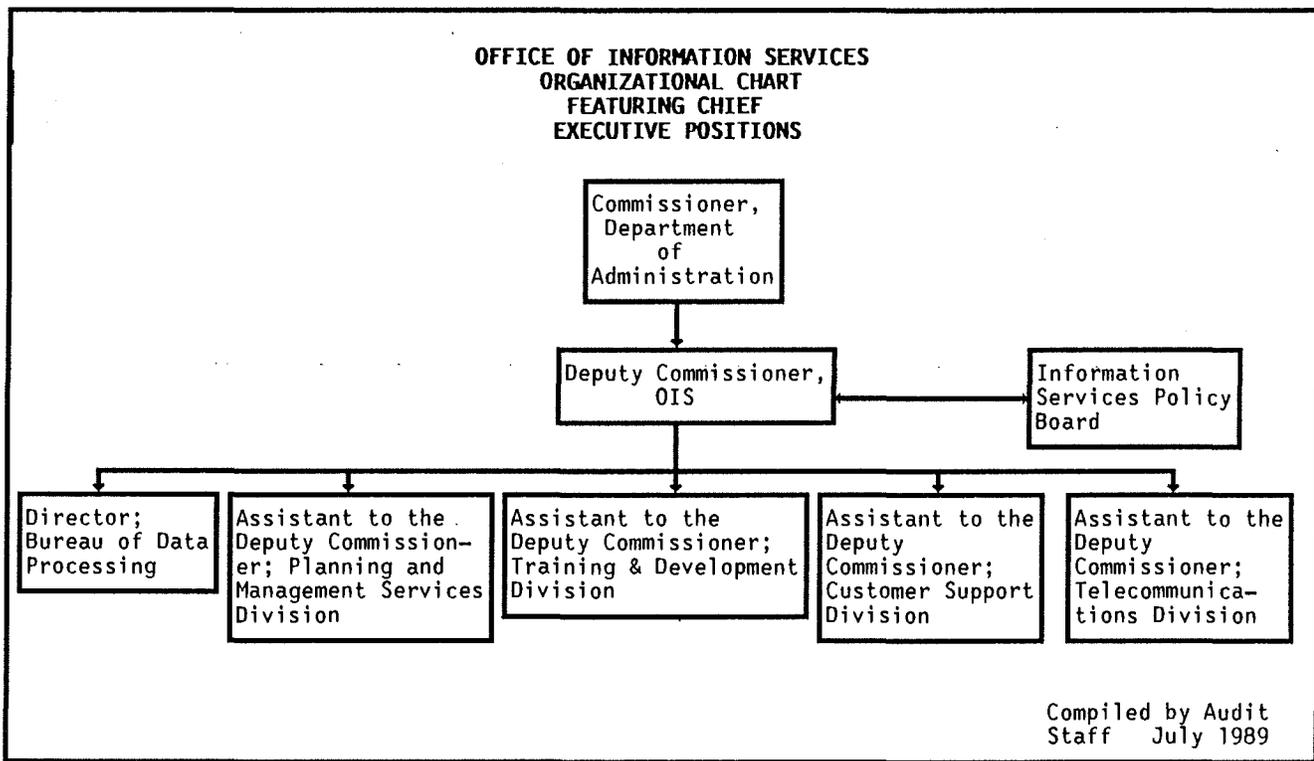
The Office of Information Services was created during the reorganization of the Department of Finance and Administration into separate Departments. The Office of Information Services was placed within the new Department of Administration. Included within the Office of Information Services was the former Central Computer Services which was renamed as the Bureau of Data Processing. Initially, the Office of Information Services had divisions for long range planning and management, training and customer support and had planning responsibility for telecommunications.

In 1987, the Legislature expanded the Office of Information Services' responsibilities by transferring the Telecommunications Division, which has operational responsibility for telecommunications within state government, from the Bureau of Public Improvements to the Office of Information Services. Most recently, the Audit & Program Review Committee itself helped to complete this transfer of responsibility by transferring the central switchboard function and all authorized positions from the Bureau of Public Improvements to the Office of Information Services.

Method of Operation, Organization, and Staffing

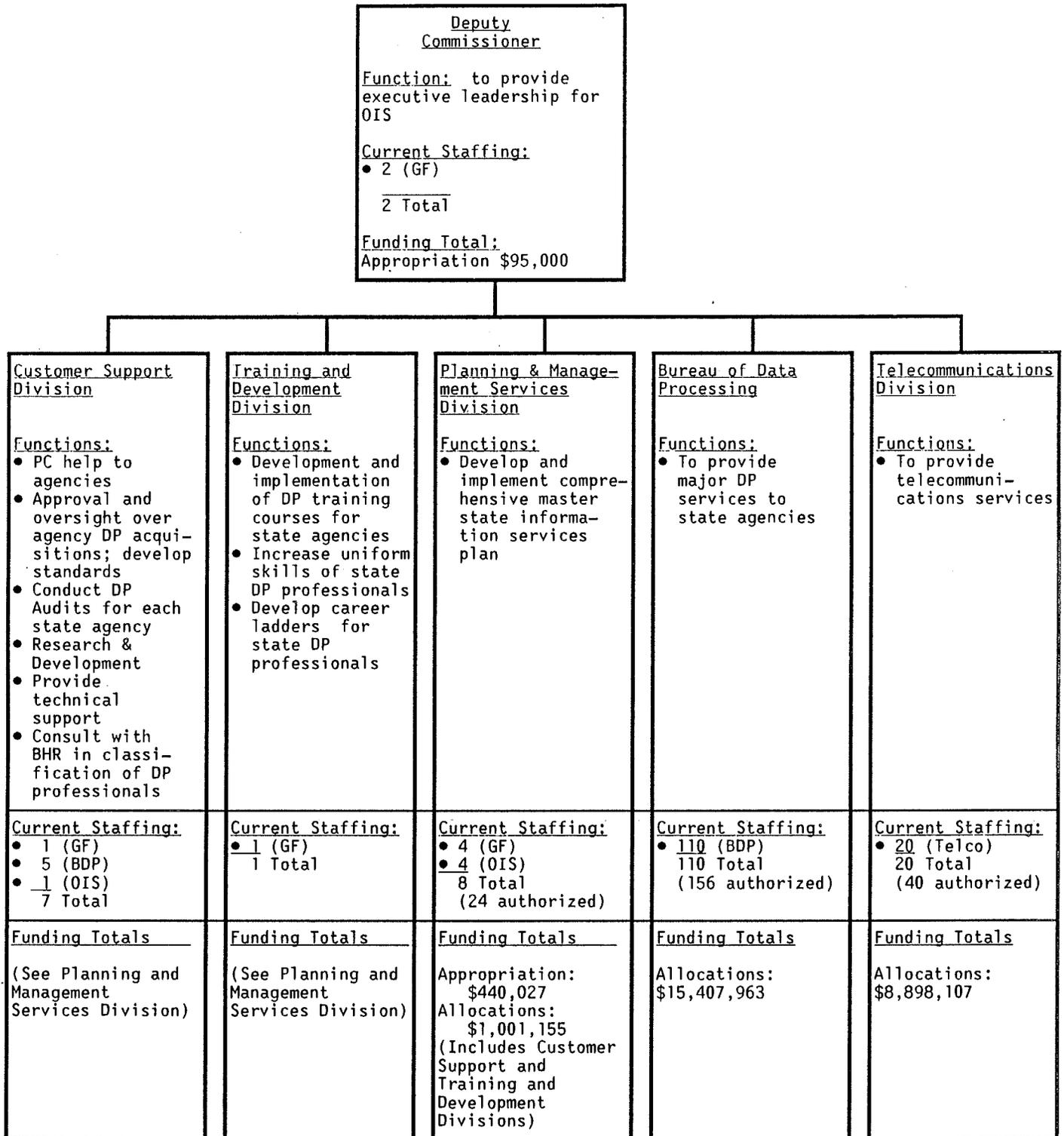
The Office of Information Services is headed by a Deputy Commissioner. The Deputy Commissioner does not act as a "second in command" for the Department of Administration as a whole. This position of Deputy Commissioner has executive authority over the Office of Information Services and reports directly to the Commissioner. In addition, the Deputy Commissioner reports to, and works with, the Information Services Policy Board.

The title of Deputy Commissioner is used to signify leadership of the largest organizational unit within the Department of Administration. Similarly, the use of the organizational term "Office" describes a large organizational grouping of sizeable governmental units which provide different types of "information services" to state government. (see chart below)



OFFICE OF INFORMATION SERVICES

Organizational Structure, Functions,  
Staffing, Funding Levels



- Notes:
- All statistics shown are for FY 90.
  - (GF) = General Fund.
  - (OIS) = OIS Internal Service Fund.
  - (BDP) = BDP Internal Service Fund.
  - (Telco) = Telecommunications Internal Service Fund.

Compiled by  
Audit Staff  
November 1989

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As depicted in the accompanying diagram, the Office of Information Services either delivers or supports the provision of various information services to state government through the following organizational units:

- strategic information and management planning is provided by the **Division of Planning and Management Services**;
- data processing training for state employees is provided by the **Training and Development Division**;
- review of data processing equipment and product acquisitions as well as research and development in the data processing field is provided by the **Customer Support Division**;
- data processing service, maintenance, planning and application is provided by the **Bureau of Data Processing**; and
- telecommunications service, maintenance and planning as well as research and development in the telecommunications field is provided by the **Telecommunications Division**.

#### Funding and Expenditures

The Office of Information Services has a complicated set of funding sources. The General Fund funds all of the Deputy Commissioner's Office, and parts of the Planning & Management Services Division, Training & Development Division, and Customer Support Division.

The Office of Information Services also makes use of 3 different Internal Service Funds. Internal Service Funds are used "to account for the financing of goods or services provided by one agency to another agency" within the same governmental unit. While internal service funds are not supposed to generate a profit, they are expected to be self-supporting, and in that sense, resemble business enterprise accounts in the private sector. The internal service funds administered by the Office of Information Services are used for planning, data processing and telecommunications.

Expenditures for activities and services of the Office of Information Services totalled \$22,546,202 for FY 89 and are projected to be \$24,803,532 for FY 90.

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The Joint Standing Committee on Audit & Program Review spent a great deal of time in gathering information and developing recommendations concerning the Office of Information Services. As a part of the review effort, the Committee developed and administered three different surveys. The three surveys, which related to the Office of Information Services as a whole, the Bureau of Data Processing, and the Telecommunications Division were sent to state administrators who interact with the Office of Information Services on a fairly regular basis.

The survey results suggested that many administrators had generally positive things to say about the Office's improving quality of services and its current focus on becoming a "service provider". However, the survey results, and other information gathered by the Committee, identified a number of problems regarding the Office of Information Services. In no particular order, the issues identified by the Committee included:

- an unnecessary number of organizational units within the Office of Information Services;
- the relative lack of staffing to help agencies develop long-range strategic planning processes and the difficulty that most agencies have in budgeting and paying for these planning services;
- the need to redefine the overall planning mandates assigned to the Office of Information Services and the Information Services Policy Board;
- questions involving the proper and most effective organizational placement of the Office of Information Services within state government;
- the need to improve the manner in which the Information Services Policy Board acts effectively to develop and implement information service policy for state government; and
- various issues relating to the particular circumstances and conditions surrounding the manner in which the Office of Information Services provides and delivers services to state government.

The Joint Standing Committee on Audit & Program Review has crafted a relatively large number of recommendations to address these and other closely related issues. As a common theme, these recommendations have the purpose of improving the overall effectiveness and efficiency of the the Office of Information Services and the Information Services Policy Board.

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## PLANNING AND MANAGEMENT SERVICES DIVISION

### Purpose and History

Upon review, the Committee noted that the legislation which established the Office of Information Services concluded that, "...There is very little planning with respect to the future needs of state government for computer programming, information collection and storage, data retrieval and transmission of information... In order to make the best use of the very valuable data and information that is continuously created throughout state government, it is necessary to develop the means by which coordination of effort and use may be achieved (5 MRSA §1881)".

The Office of Information Services legislation went on to establish a specific planning responsibility for the Office of Information Services, in tandem with the Information Services Policy Board, to develop and implement a comprehensive master state information systems plan, which includes a biennial business operating plan for each state agency [5 MRSA §§1886(7) and 1893(3)].

To accomplish this planning mandate, the Planning and Management Services Division was administratively established within the Office of Information Services in March of 1987. Prior to that date, an organizational unit for comprehensive information systems planning did not exist in Maine state government.

### Method of Operation and Staffing

The Planning and Management Services Division has developed a philosophical framework which delineates a set of clearly stated objectives for strategic systems planning for state government:

- to efficiently and fairly allocate scarce state resources such as capital and personnel;
- to achieve consistency of information;
- to integrate information resources within the overall business plan of the organization;
- to establish organizational and management control structures; and
- to respond to the total needs of the organization.

In developing these objectives for strategic management planning for state government, the Planning and Management Services Division has incorporated several assumptions about the particular requirements of a public entity like state government. The first assumption is that an effective strategic management plan is one which produces an ongoing and vital process; as

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opposed to a fixed and inflexible product. The second assumption stipulates that traditional systems planning used in the private sector to establish priorities and the subsequent allocation of resources within the organization, will not work well in state government which is composed of relatively autonomous agencies that are not as able to make unilateral decisions about the distribution of available resource levels.

The third assumption developed by the Planning and Management Services Division holds that, instead of the private sector approach, strategic management planning for state government should incorporate an approach which recognizes the limitations of the operating environment in which state government must function. State government can effectively employ a simultaneous and coordinated planning approach, in which policy can be developed and implemented by differing levels of state government in accordance with their level of responsibility.

In practice, the Planning and Management Services Division has sought to encourage a "top-down"/"bottom-up" planning approach. As depicted in the accompanying diagram, the Information Services Policy Board has the top-down responsibility for strategic direction, goals, policies and intergovernmental priorities. In turn, the individual agencies have responsibility for planning from a bottom-up perspective. Detailed projects, initiatives and programmatic opportunities are the prerogative of individual agencies.

Finally, in keeping with the planning approach thus described, the Planning and Management Services Division views itself not as a "regulator" but instead as a "facilitator". The Planning and Management Services Division does not attempt to presume either what the information service needs of an agency are or should be. Instead, the Planning and Management Services Division tries to provide a planning approach and philosophy from which an agency can develop a strategic management plan which meets its perceived information needs in the most comprehensive fashion possible.

Instead of a fixed plan, the strategic planning model used by the Planning and Management Services Division is designed to stimulate an on-going cyclical process in which the development of a strategic plan leads to the development of a biennial operating plan, which leads to the development of specific project plans, which lead to the continual reassessment of the strategic plan.

**STRATEGIC PLANNING MODEL AND PLANNING HIERARCHY**  
**used by the**  
**DIVISION OF PLANNING AND MANAGEMENT SERVICES**

**PLANNING  
RESPONSIBILITIES**

**LEVEL OF  
ORGANIZATION**

**SCOPE OF  
RESPONSIBILITIES**

Policy & Direction  
Planning

Policy Board  
(Statewide)

Strategic  
Management

Standard,  
Procedures,  
Integration &  
Planning

Advisory  
Committees  
(Inter-agency  
Senior Level)

Group  
Management

Cost, Revenue,  
Resource &  
Results  
Planning

Departmental  
Steering Committees  
(Departmental; Senior  
Level Management)

Business  
Management

Project  
Planning

User Community  
(Departmental; Middle  
Level Management)

Implementation  
Management

Adapted by Audit  
Staff, August 1989

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The Committee found that the Planning and Management Services Division has identified a number of critical factors which are necessary to the success of information services planning in state government:

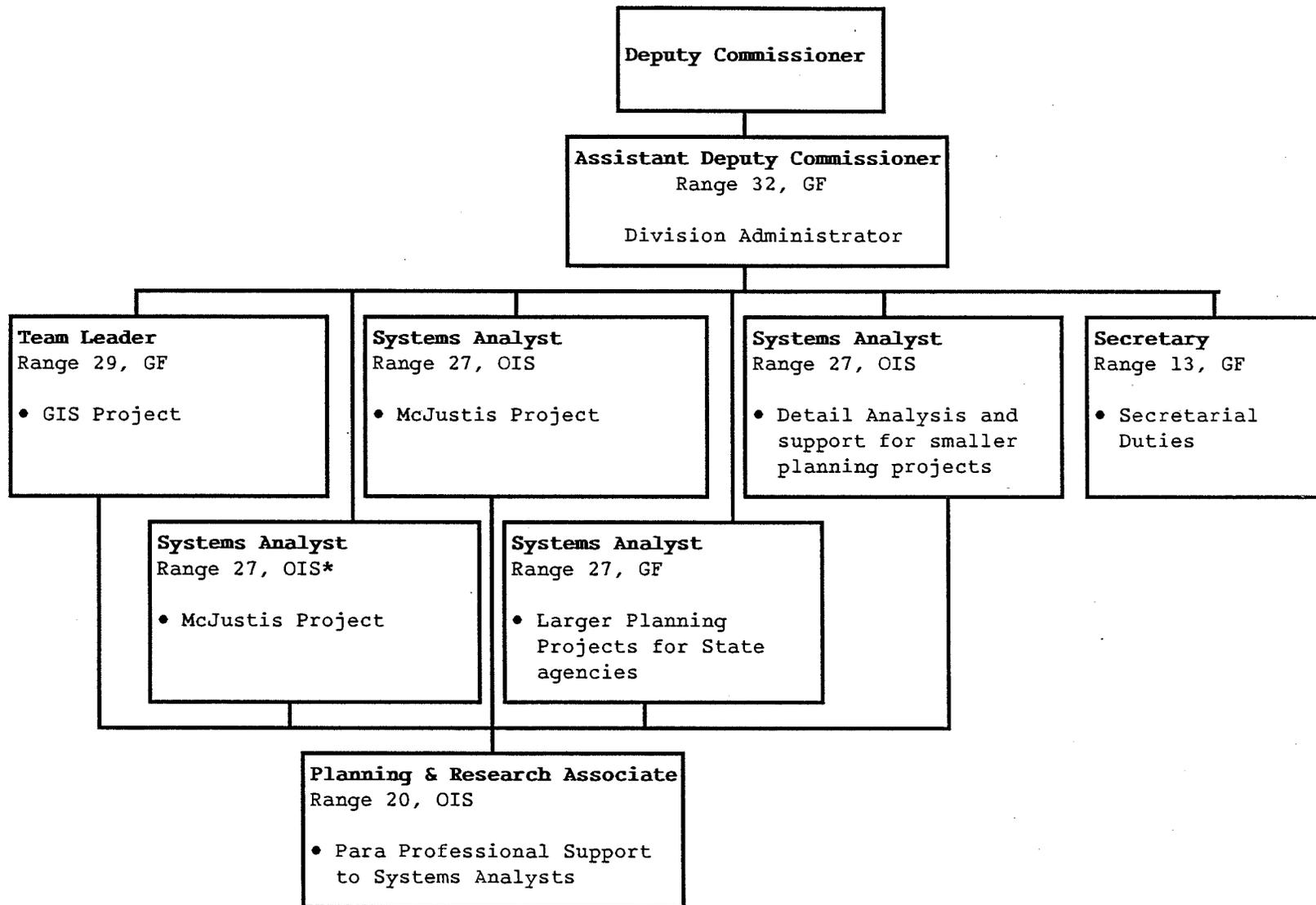
- Involvement with middle and senior management - Strategic management planning must have the commitment, involvement and active sponsorship of the upper layers of management. Effective strategic management planning does not require technological expertise and should not be driven by data processing professionals within each agency. Most appropriately, data processing professionals will be involved in project implementation and design;
- Information (not data processing) Planning - In keeping with the need to have top management responsible for the the overall planning process, information planning does not exclusively refer to the data processing realm. Instead, data processing will most likely be a significant component to any comprehensive planning process;
- Adequate external and internal communication - A well functioning strategic management plan will be dependent on ongoing intra and inter agency communication; and
- Establishment of a clearly defined implementation schedule - An effective planning process will be dependent on an implementation schedule which provides measurable results.

In seeking to implement and encourage this planning process, the Planning and Management Services Division seeks to assist state agencies in the development of meaningful and useful strategic management plans. Personnel from the Planning and Management Services Division act as consultants to agency planning efforts. In this consulting role, the Division helps to delineate and clarify the goals, objectives and implementation of the agency planning process. To this end, Planning and Management Services Division personnel are actively involved throughout the planning process.

Depending on the size and magnitude of the planning effort, Division personnel are assigned to either single planning efforts or a multitude of smaller projects. In performing their duties, Planning and Management Services Division personnel spend a great deal, if not a majority, of their time at the agency receiving the service. The current staffing levels and agency assignments for Division personnel are depicted in the accompanying chart.

PLANNING AND MANAGEMENT SERVICES DIVISION  
OFFICE OF INFORMATION SERVICES

ORGANIZATION, STAFFING, SALARY RANGES,  
FUNDING SOURCES, RESPONSIBILITIES



GF = General Fund

OIS = OIS Internal Service Fund

\* funded by a consortium of agencies, including Department of Public Safety  
Dept. of Corrections, Administrative Office of the Courts, Maine Sheriff's  
Association, Maine Chief's Association, Prosecutors Association, and Attorney General's Office

Compiled by  
Audit Staff  
February 1990

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Since its establishment in March of 1987, the Planning and Management Services Division has provided planning assistance to more than 20 different agencies, groups or programs. The more notable planning projects which the Planning and Management Services Division has been involved with are the Maine Criminal Justice Information System (MCJUSTIS) and the Geographic Information System (GIS). Both of these planning projects involve an inter-agency effort to develop strategic management plans with a designated lead agency for each effort; Department of Public Safety for MCJUSTIS and the Department of Conservation for GIS. Of some interest is the wide degree of agency participation in the MCJUSTIS effort which includes state agencies, the Judicial branch, and municipal and county agencies. Each of the agencies involved in the MCJUSTIS planning effort has voluntarily assumed a share of funding the costs of providing one of the Planning and Management Services Division positions. The contributing agencies are:

- Department of Public Safety;
- Department of Corrections;
- Administrative Office of the Courts;
- Attorney General's Office;
- Maine Sheriff's Association;
- Maine Chief's Association; and
- Prosecutor's Association.

#### Funding and Expenditures

Upon review, the Committee found that the Planning and Management Services Division has 2 funding sources. The first funding source is the General Fund which currently funds 3 positions. For FY 90, the Division was originally appropriated \$229,751; \$188,334 for Personal Services and \$41,417 for All Other.

The Planning and Management Services Division also receives limited funding through the use of the Office of Information Services' Internal Service Fund. The Committee found that the Planning and Management Services Division anticipated spending a total of \$142,332 in allocated funds for FY 90; \$138,097 for Personal Services and \$4,235 for All Other.

#### **CUSTOMER SUPPORT DIVISION**

The Office of Information Services is mandated by current law (5 MRSA §1886) to provide a number of services to state agencies. These services include approval of the acquisition and use of data processing equipment; provision of technical assistance in data processing; development, in conjunction with the Information Services Policy Board, of data processing standards; supervision of all data processing activities; and provision, in conjunction with the Information Services Policy Board, for a regular review of all data processing operations within state agencies with any necessary recommendations.

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To provide these statutorily required services, a separate Division, now known as the Customer Support Division, was administratively created in 1987 within the Office of Information Services.

Prior to the establishment of the Office of Information Services, it appears that several of these tasks were under the domain of the former Central Computer Services. The primary difference between the two efforts appear to be the larger perspective of the current Customer Support Division. In the present Customer Support Division, data processing is a function of a larger, integrated information service system which includes, but is not necessarily limited to, the centralized data processing services which are provided by the Bureau of Data Processing.

#### Method of Operation/Staffing

The Customer Support Division handles its statutory responsibilities by aligning particular responsibilities with particular staff. In many cases, the Assistant to the Deputy Commissioner helps to direct requests, inquiries, and problems from state agencies to the appropriate Division staff member. The basic Division organization and staff assignments are depicted in the accompanying diagram and are described in the following sections.

#### 1. Providing day-to-day help for agency data processing problems.

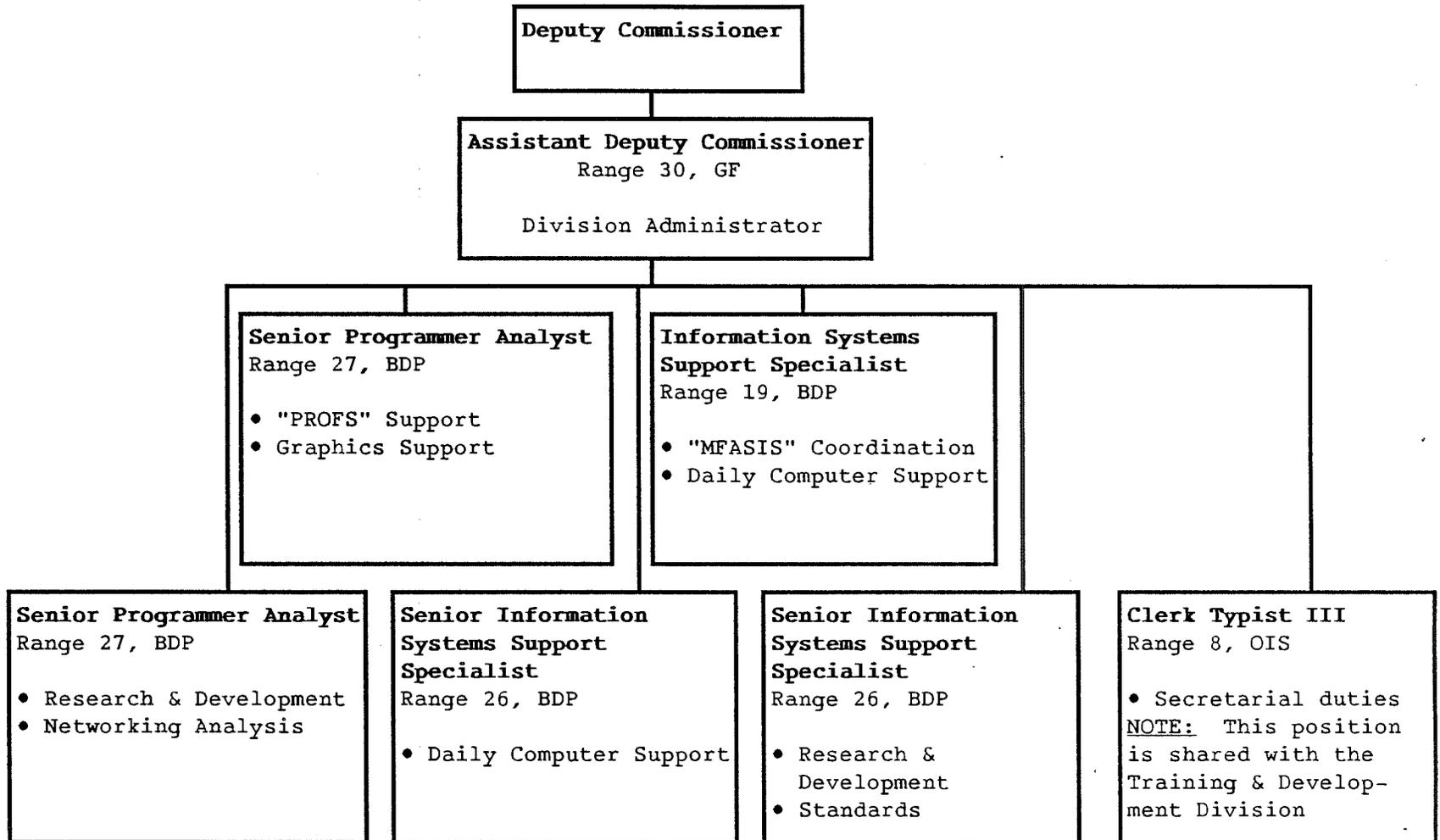
Upon review, the Committee found that the Customer Support Division functions as a "Help Desk" for any non-mainframe data processing related problem experienced in state government. Requests for mainframe help are directed to the Customer Assistance Division within the Bureau of Data Processing.

Typically, first time callers are routed to the Assistant to the Deputy Commissioner who either refers the caller to the appropriate staff member or, if possible, attempts to resolve the problem. Most repeat callers will contact the appropriate staff member directly without the involvement of the Assistant to the Deputy Commissioner.

The Division has attempted to facilitate this helping process, and maximize their own resources, by working with larger state agencies to designate a "technical coordinator" within each agency. The purpose of these technical coordinators is two-fold: first, to provide a source within the agency by which data processing problems might be resolved, and second, to provide a single liaison from the agency to the Customer Support Division. To date, the Division has developed a list of 11 technical coordinators in state agencies.

CUSTOMER SUPPORT DIVISION,  
OFFICE OF INFORMATION SERVICES

ORGANIZATION, STAFFING, SALARY RANGES,  
FUNDING SOURCES, RESPONSIBILITIES



GF = General Fund    BDP = BDP Internal Service Fund    OIS = OIS Internal Service Fund

Compiled by  
Audit Staff  
March 1989

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Requests for help are handled by members of the Division's professional staff, depending on their area of expertise. Assistance provided by the Division to state agencies is a free service; agencies are not billed for any help that they receive in resolving their day-to-day data processing problems.

For the more serious problems, the Assistant to the Deputy Commissioner fills out an Incident Report which tracks the problem through resolution. These reports are also used to help discern overall trends or data processing problems faced by state agencies.

2. Supervision and approval of agency data processing acquisitions.

The Division administers this responsibility in several different ways. These differing methods correspond directly to the level of data processing use:

	<u>Level of Use</u>	<u>Office of Information Services approval for Individual Purchases</u>
<u>More expensive</u>	Mainframe	required
	Mini-Computer	required with exception of the data base software.
<u>Less expensive</u>	Micro-Computer (PC)	Not required, unless outside of the standard.

The Customer Support Division has been working to exercise its authority to approve all data processing acquisitions only when a proposed acquisition either represents an exception to an adopted standard, or represents a significant investment of state dollars at any level above that of a personal computer.

To facilitate the acquisition of data processing equipment, the Customer Support Division has been instrumental in implementing several processes or standards:

- personal computer vendor contracts - open ended contracts administered by the Bureau of Purchases have been negotiated with three computer vendors: AT & T, IBM and UNISYS. These contracts allow state agencies to buy any personal computer offered by those vendors at a reduced price. These contracts also provide installation, one year maintenance, and training at no additional cost to state agencies.

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These contracts are intended to reflect an implicit state standard for the purchase and use of personal computers. All personal computers available from these vendors use an MS-DOS operating system, i.e. they are "IBM compatible". The purpose of these contractual arrangements is to create an information systems network within state government which is consistent and compatible.

Agencies that wish to buy personal computer hardware through these contracts may do so without approval by the Office of Information Services, by simply submitting a purchase order to the vendor through the usual Bureau of Purchases' process. Prior to the development of these vendor contracts, agencies were required to complete an 11 step justification process for each contemplated personal computer purchase, and then go through the purchasing process administered by the Bureau of Purchases.

Under the present process, agencies wishing to acquire personal computers that do not use an MS-DOS operating system (such as Apple or Wang), must receive Division approval to do so by justifying why it is necessary to have an exception. With the advent of technology which permits different operating systems to "speak to each other" especially for desk-top publishing applications, the Division has been more willing to allow exceptions. The Committee found that more than 15 exceptions from the vendor contracts have been requested by state agencies during the past year and that 50% of these requests have been approved.

The three vendor personal computer contracts were developed through an extensive RFP process. The specifics of the contracting process, as well as adoption of the MS-DOS standard, were the results of decisions made by a personal computer Committee made up of agency data processing professionals. The contracts were structured as a series of three one year (for each vendor) contracts which are renewable at the state's option. Currently, the contracts with each vendor have been renewed once;

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- Personal computer software contract - a similar open ended contract has recently been developed with one vendor, Corporate Software, Inc. This contract allows state agencies to purchase any personal computer software product carried by the vendor without approval from the Office of Information Services. Like the personal computer contracts, state agencies acquire these software products (which use the MS-DOS operating system) at significantly reduced prices with free installation, maintenance, training, and trouble shooting. The particulars of this contract were also the result of decisions made by state data processing professionals sitting on a software committee. The vendor, Corporate Software, Inc., functions as a "clearinghouse" or reseller for many individual software vendors;

- Printers, terminals and other peripheral equipment - agencies are allowed to acquire printers, terminals, and other "peripheral" equipment through purchase order to the Bureau of Purchases without approval from the Office of Information Services. The underlying assumption is that such equipment will have to be compatible with the authorized hardware;

- Data base application software contract for Mini-computers - recently, the Division has helped to develop a contract for a single data-base software package (ORACLE) to be used as a standard for all state data base applications on the Mini-computer level. The vendor contract features the same sorts of advantages to state agencies as the previously mentioned contracts.

ORACLE was adopted as a standard data base software package in a selection process driven by a data base committee comprised of state data processing professionals;

- Mini-computers, network technologies and other major data processing purchases above the personal computer level - currently, the Division requires state agencies to submit RFPs for any proposed acquisition of mini-computers, network technologies, and other major data processing purchases above the personal computer level. Agency RFPs are evaluated by the Division according to the following criteria:

- fair assessment of all solutions presented for consideration;

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- fairness of process; legal requirements; and
  - the manner in which the proposal reflects a coordinated and systematic strategic planning effort for that particular agency.

3. Conducting data processing audits of each state agency.

The Division conducts regular data processing audits of each state agency to help determine the current state of data processing in state agencies and to facilitate appropriate decisions for the overall direction of information services in state government. The Division conducts its agency audits by assessing all data processing inventories and procedures within the agency and by conducting a risk assessment to ascertain what plans are in place for disaster recovery.

The results of the audit, and any subsequent recommendations, are communicated to the agency head via written report. The Committee found that written audits have been completed for all major state agencies.

4. Conducting research and development activities of any new data processing technology and equipment which may have relevance to state government.

In response to rapidly changing data processing technologies, the Division attempts to keep abreast of recent changes by evaluating new technologies from a conceptual perspective. The Division's research and development effort evaluates technologies by examining their possible applicability for state government. The Division reviews these technologies for usefulness, cost, compatibility, and portability.

Upon request of the Division, vendors will usually supply products for evaluation at no cost. Evaluation results are published as "fact sheets" for distribution to technical coordinators and other data processing professionals within state government. Eventually, the Customer Support Division plans to use research and development evaluations to help develop data processing standards for state government.

Funding/Expenditures

The Customer Support Division has three funding sources: the General Fund; the Bureau of Data Processing Internal Service Fund; and the Office of Information Services' Internal Service Fund.

As depicted in the earlier organizational chart, only one position is currently funded by the General Fund. Most positions in the Division are funded by the Bureau of Data Processing Internal Service Fund and are technically Bureau positions. The funding for these salaries is factored into the overall Bureau

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rate structure as a component of administrative overhead. The Committee found that state agencies using the Bureau mainframe(s) are currently subsidizing customer support within the Office of Information Services for all state agencies.

For FY 90, the Legislature had originally appropriated a total of \$116,318 from the General Fund to support the activities of the Customer Support Division; \$85,845 in Personal Services and \$30,473 in All Other. In addition, a total of approximately \$182,000 was allocated from the Office of Information Services and Bureau of Data Processing Internal Service Funds to support the Customer Support Division.

## **TRAINING AND DEVELOPMENT DIVISION**

### Purpose and History

Current law (5 MRSA §1886 (3)) requires that the Deputy Commissioner, "...shall be responsible for developing training programs for state employees in data processing and for the implementation of these programs." To accomplish this mandate, an administrative decision was made in early 1987 to create a separate Division of Training and Development. Prior to the establishment of the Office of Information Services, there was not any statutory mandate for statewide data processing training. The current effort of the Training and Development Division is to provide a comprehensive plan for systematically training and enhancing the professional development of all state data processing professionals.

### Method of Operation and Staffing

Within its relatively short history, the Training and Development Division has experienced several significant changes. Until FY 90, the Training and Development Division had to support the salaries of three full-time positions solely through revenues generated from training courses. To produce the necessary revenues, and to respond to the training needs of that time, the Division focussed on providing "end user" personal computer training courses. During that time period (1987-1988), there was an apparent need for personal computer courses that the Division tried to fill.

The effort to provide personal computer courses required a lot of administrative detail work, did not permit much time to develop a comprehensive training plan for data processing professionals and did not generate enough income to cover total Division expenses. In fact, the Training and Development Division incurred an operating deficit of more than \$70,000 for FY 89. The Division's operational expenses for that time period were covered by other income generated by activities of the Office of Information Services.

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The financial pressures on the Division were eased considerably as a result of several recent changes:

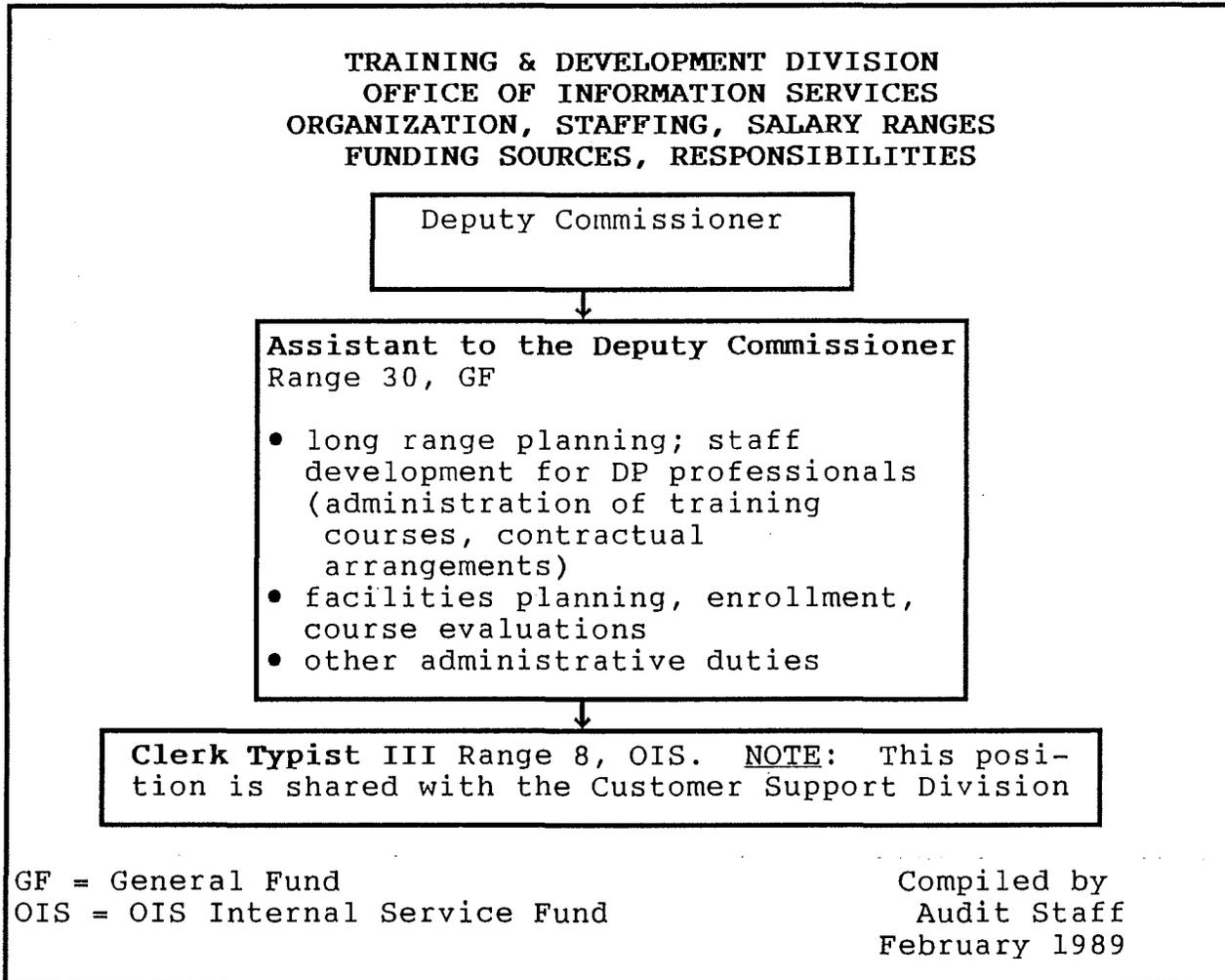
- the Assistant to the Deputy Commissioner was changed to a General Fund position starting on 7/1/89; and
- a Staff Development Specialist position, which was formerly funded by Division revenues, was moved to a different division, and the billing for that salary was changed to a different cost center.

Recently, the Division has stopped offering many personal computer courses, and has instead focussed on the development and offering of more technically oriented classes for data processing professionals in state government. Upon review, the Committee found that there are several reasons which justify this change in direction:

- the need for personal computer training courses has been largely filled by the private sector and the University of Maine at Augusta; both of whom are offering the needed courses at competitive rates;
- because of the overhead costs associated with bringing in frequent offerings, the personal computer training courses offered by the Training and Development Division cannot be offered at a cost which represents a bargain to state agencies;
- demand for personal computer courses appears to be declining;
- on the other hand, more technically oriented courses which are not being frequently offered by the private sector or by the University of Maine at Augusta, can be offered by the Training and Development Division at costs which represent bargains to state agencies; and
- as mentioned previously, the shift away from the time consuming nature of arranging personal computer courses allows the Division to focus on developing a more comprehensive and systematic training effort for state data processing professionals.

Recent course activity sponsored by the Division is illustrated in the accompanying graph.

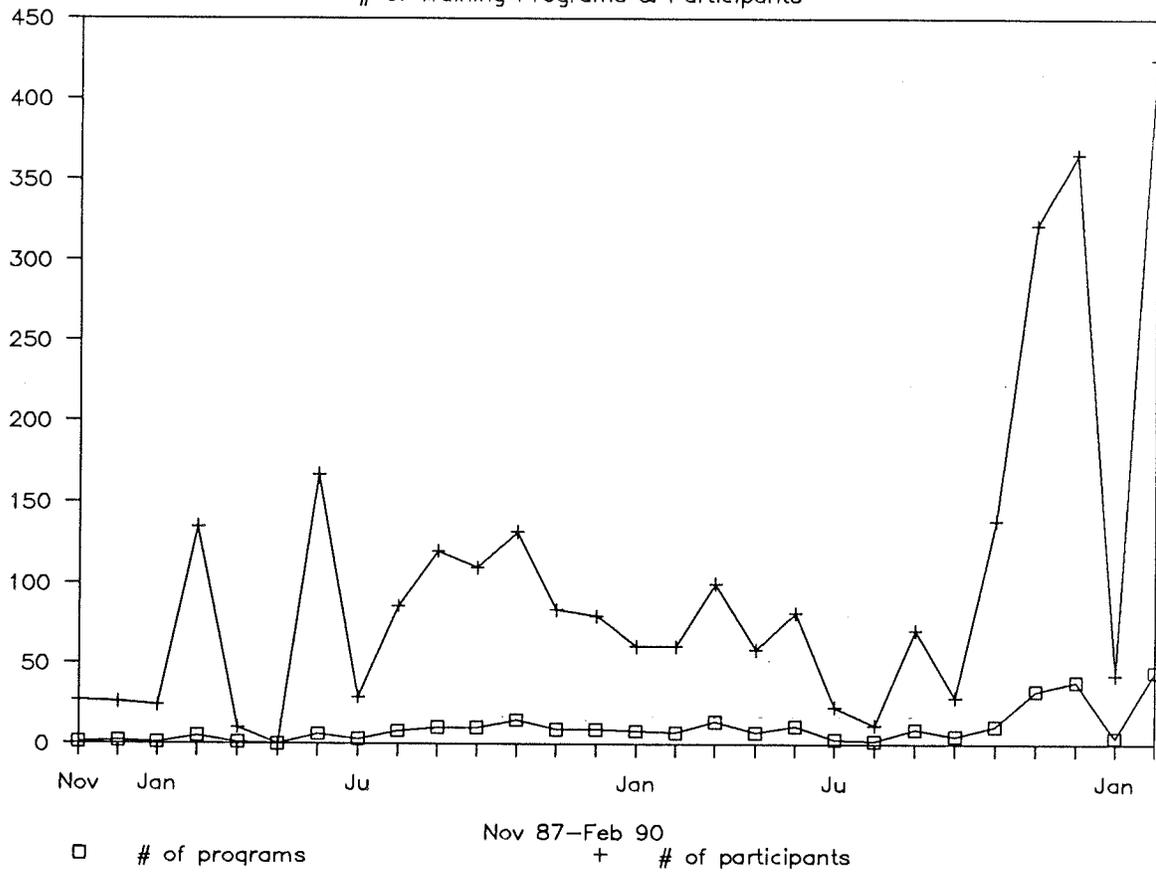
The manner in which the Division is currently staffed, organized and funded is shown below:



At the present time, the Assistant to the Deputy Commissioner is developing a credentialing process for state data processing professionals by attempting to discern what classifications of data processing professionals currently exist and what their professional needs are. In practice, the Training and Development Division is attempting to provide more technically oriented classes while developing a framework which will increase the skills of data processing professionals, enhance the promotion of data processing professionals in a well conceived career ladder, and create a consistent and common body of data processing knowledge to facilitate the functioning of information services throughout state government.

# Training & Development Division; OIS

# of Training Programs & Participants



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The Training and Development Division offers courses in two separately located facilities. The first facility is located in Gardiner and offers a large training room equipped with computer terminals. The Training and Development Division also has a cooperative agreement with the University of Maine at Augusta in which a training room at the University is jointly "owned" by both entities. The Division provides the training equipment, the University of Maine at Augusta provides the space, and other expenses are shared. In this arrangement, the Training and Development Division is entitled to use of the room every 4th week during the school year and every other week during the summer.

The computers used for training purposes are provided at no cost through agreements with the various computer vendors. One vendor (AT & T) collects a total of \$1,200 per year for maintenance of the six computers provided to the Training and Development Division.

Current overhead costs for training courses provided by the Training and Development Division include instructors' salary, travel, facility use, printing and all other. The Division's training facilities are assessed at a cost of \$100 per day which compares favorably to the University of Maine at Augusta's charges of \$400 per day for the shared facility.

Courses are offered in accordance with agency request and the apparent needs of state government. In addition, the Division offers free weekly introductory personal computer courses which are provided by the various vendors.

Most courses are taught by individuals from the private sector. On occasion, the Division is able to use Office of Information Services' employees to teach, but when this is done, such services are billed as salary and reimbursed to the employee's cost center at the Office of Information Services.

The Training and Development Division has found it less costly to have most training courses provided by private training companies. Current total costs for technical training courses range from a low of \$700 per day to a high of \$2,000 per day. Total costs are divided according to a final class size to arrive at a cost for an individual participant. Final costs are billed to each agency which has participants in a particular course.

The Division allows cancellations prior to the class date, but charges for no shows and cancellations made on the day of the class. Training courses offered by the Division are publicized through use of printed brochures which are circulated to agency data processing personnel.

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### FUNDING/EXPENDITURES

As mentioned earlier, the Division used to be funded entirely through revenues generated by its own course offerings. This funding arrangement did not generate adequate revenues to cover total Division expenses. Under the former arrangement, the Division was funded exclusively by the Office of Information Services' Internal Service Fund Account.

Currently, salaries and most All Other costs for the Division are funded by the General Fund. A portion of the All Other costs continue to be borne by the Office of Information Services' Internal Service Fund. Costs for training courses are administered through the Office of Information Services' Internal Service Fund.

Most recently, the Training and Development Division was appropriated a total of \$83,958 from the General Fund for FY 90; \$74,857 for Personal Services and \$9,101 for All Other. The Training and Development Division also had specific allocations of \$6,720 to cover certain All Other costs. For FY 90, the Training and Development Division anticipated administering \$306,720 in allocations spent by agencies for training purposes.

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## OFFICE OF INFORMATION SERVICES

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STATUTORY

1. Reorganize the Office of Information Services to promote organizational efficiency and to provide needed services without direct costs to state agencies.
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Upon review of the current manner in which the Divisions of Planning and Management Services, Customer Support, and Training and Development are funded, organized and provide services to state agencies, the Joint Standing Committee on Audit & Program Review reached the following conclusions:

- **The Office of Information Services has an unbalanced organizational structure:** A review of the Office of Information Services' organizational chart shows that the Office of Information Services has 5 separate entities which report directly to the Deputy Commissioner. The size of the entities varies greatly - 1 position for the Training & Development Division to more than 150 authorized positions within the Bureau of Data Processing - yet, both entities have a theoretically equal reporting status within the organization;
- **The Office of Information Services has an unnecessary number of top level administrators:** Closely related to the unbalanced organization issue is the appearance of an organization with an excessive number of top level administrators. Currently, in addition to the Deputy Commissioner, there are 5 Division/Bureau level administrators:

Title of Administrator	Organizational Unit	Total # of current Employees
• Bureau Director	Bureau of Data Processing	130
• Assistant to the Deputy Commissioner for Telecommunications and Strategic Systems	Telcommunications Division	19
• Assistant to the Deputy Commissioner	Planning & Management Services Division	8

- Assistant to the Deputy Commissioner Customer Support Division 8
- Assistant to the Deputy Commissioner Training & Development Division 1

- **The Office of Information Services has had minimal support from the General Fund.** For FY 90, the Office of Information Services has a total of 10 authorized positions from the General Fund. The Office of Information Services was originally appropriated a total of \$670,984 for FY 90; \$492,096 for personal services and \$178,888 for all other. The Audit & Program Review Committee found that this funding currently supports the salaries of the Deputy Commissioner's office and the top administrators for the three smallest divisions. In addition, the General Fund funds two professional positions and one support staff position.

With the exception of the Deputy Commissioner's office, General Fund support for the Office of Information Services is limited to the Divisions of Planning and Management, Customer Service, and Training and Development. The Committee found that the functions of each of these divisions are important to the overall effectiveness of state government and deserve the optimal use of the current commitment from the General Fund.

- **The Office of Information Services' Internal Service Fund has not proved to be an adequate funding mechanism.** As mentioned earlier, the Office of Information Services has been provided with authorized allocation levels which would theoretically provide the agency with adequate financial resources to provide services to other state agencies. In practice, however, the Office of Information Services has found it extremely difficult to generate revenues to be able to provide the functions of the three smallest divisions to state agencies. For the current biennium, the Office of Information Services has the following allocation (authority to spend collected revenues):

	<u>FY 90</u>	<u>FY 91</u>
Positions	21	24
Personal Services	\$665,495	\$801,496
All Other	<u>319,254</u>	<u>331,750</u>
Total	\$984,749	\$1,133,246

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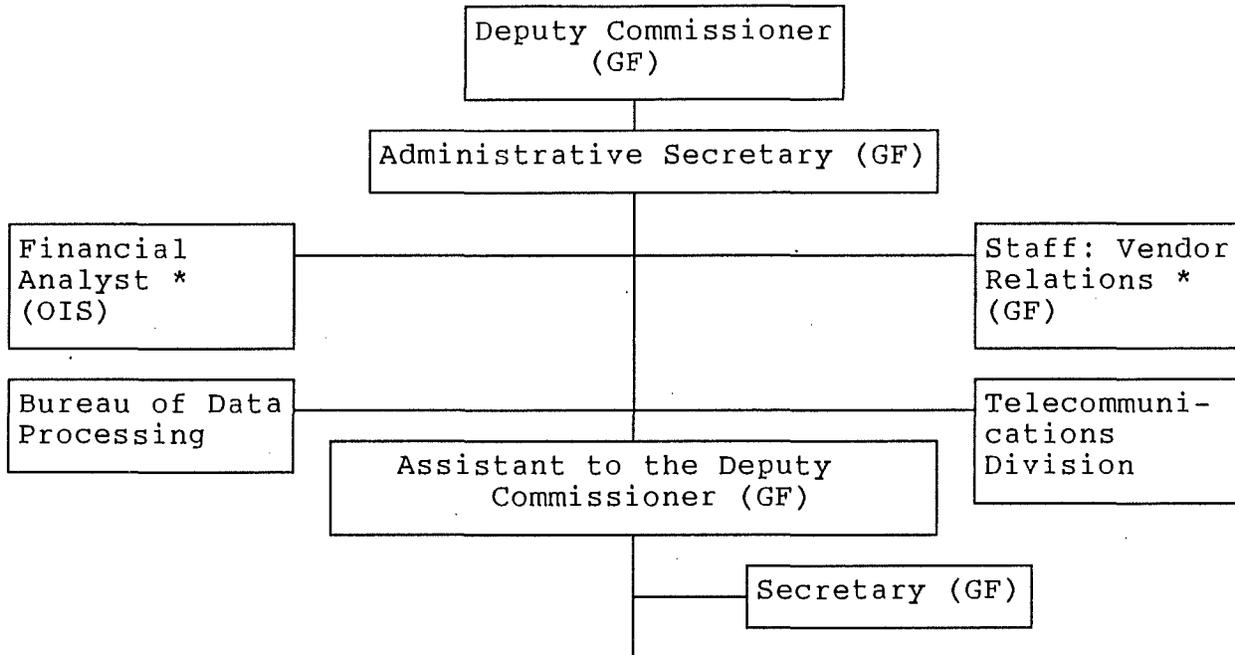
Because of the difficulty in generating adequate revenues from agencies, the Office of Information Services is only using 3 positions out of the authorized 21 positions. As another example of this difficulty, in FY 89, the Training and Development Division was not able to raise enough revenue to support the salary of the Assistant to the Deputy Commissioner for that Division.

- **The Office of Information Services has inadequate staffing levels to supply services for strategic planning, standards and policy, and training and development:** The Committee found that as a consequence of the present level of General Fund support, as well as the Office of Information Services' difficulty in raising revenues through its Internal Services Fund, the Office of Information Services has not been able to provide the level of services that is necessary for effective strategic planning; the development of well conceived data processing standards and policies; and effective training and development programming to benefit state data processing professionals.

To help address these problems, the Committee on Audit & Program Review is recommending that the Office of Information Services undergo a significant reorganization. As a part of that reorganization, the Committee is recommending a number of changes to help provide state agencies with more direct services. The specifics of these recommendations are as follows:

- **Consolidate the Divisions of Planning and Management Services, Customer Support, and Training and Development into a single Division of Information Resource Management.** Upon review, the Committee found that it is not necessary to have three separate divisions to deliver current services which include long range strategic planning, data processing standards and policies for state government, and training and development efforts. Instead, the Committee found that these services can be more effectively administered from a single, new division of Information Resource Management. As shown in the accompanying organizational chart, the principal focus of each division would be retained as a function(s) within the newly created Division;

**PROPOSED ORGANIZATION OF  
NEW DIVISION OF  
INFORMATION RESOURCE MANAGEMENT WITHIN THE  
OFFICE OF INFORMATION SERVICES**  
(including staffing and funding sources)



Functions	Standards and Policy	Planning and Management	Training and Development
Staffing	<ul style="list-style-type: none"> <li>• Systems Team Leader (GF)</li> <li>• Systems Analyst (GF)</li> </ul>	<ul style="list-style-type: none"> <li>• Systems Team Leader; Natural Resources (OIS)</li> <li>• Systems Analyst; Natural Resources (GF)</li> <li>• Systems Team Leader; Human Services (OIS)</li> <li>• Systems Analyst; Human Services (GF)</li> <li>• Systems Analyst; Criminal Justice (GF)</li> </ul>	<ul style="list-style-type: none"> <li>• Systems Team Leader (GF)</li> <li>• Planning and Research Coordinator (GF)</li> </ul>

- Notes:
- (GF) = General Fund
  - (OIS) = OIS Internal Service Fund Costs charged to BEP & Telecommunications rate bases
  - Staffing levels are for FY 91
  - 2 additional positions (Planning and Management) are authorized through the OIS Internal Service Fund but not funded for FY 91.

\* These 2 newly created positions were not authorized as a part of the Committee's recommendations.

Compiled by  
Committee Staff  
March 1990

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- **Reduce the number of involved Assistant to the Deputy Commissioner positions from three to one.** As a consequence of the preceding recommendation, the Committee found that it is not necessary to have three upper echelon administrators to manage the delivery of these services. Upon review, the Committee noted that some of the current duties of the three positions consist of the actual provision of services and do not necessarily involve managerial responsibilities. The Committee found that the administrative responsibilities of these three units could be effectively handled by a single Assistant to the Deputy Commissioner position. As a part of this recommendation, the Committee is recommending that the remaining two positions be reclassified to upper level professional classifications which are focussed on providing specific services to state agencies;
  - **Reappropriate existing General Fund support to authorize two additional direct service positions.** During its review of the Office of Information Services, the Committee received many comments from state agencies regarding their inability to directly pay for the types of services provided by the three current divisions. The Committee noted that under the present method of providing services, some agencies have to pay directly for strategic planning services, and yet other agencies receive the same services free of charge. The Committee found that strategic planning services, as well as standards and policy development, and training and professional development are crucial components of the effort to provide a comprehensive information services system for state government and that the costs for providing these services should not be charged directly to state agencies.

Accordingly, the Committee is recommending that \$89,350 that has been appropriated for All Other from the General Fund for FY 91 be reappropriated as Personal Services to create two additional professional positions to provide needed services to state agencies. As a part of this recommendation, "All Other" expenses for the new Division of Information Resource Management will be charged off as administrative overhead to all agencies through the rates charged by the Bureau of Data Processing and the Telecommunications Division;

- **Authorize four additional direct service positions to be funded as administrative overhead through the rates charged by the Bureau of Data Processing and Telecommunications Division.** The Committee is also recommending that four additional direct service positions be authorized and that these positions be funded through the rates charged by the

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Bureau of Data Processing and the Telecommunications Division. Upon review, the Committee found that this funding mechanism distributes the costs of planning in a more equitable fashion to all agencies, thus ending the unfair situation in which one agency pays for strategic planning services and another does not. The Committee noted that the cost of providing these four positions will require an increase of approximately 1% in the aforementioned rates and that such an increase will be subsumed by recent rate reductions of a much larger magnitude. Finally, in view of the budgetary shortfalls experienced by the state during the early months of 1990, the Committee is authorizing four positions with the understanding that only two will be filled for FY 91, thus further reducing indirect costs to state agencies.

- **Reduce direct potential costs to state agencies by more than \$450,000.** As noted earlier, the Committee found that under the present funding structure, the Office of Information Services has the statutory authority to fill more than 20 additional positions in the three divisions under discussion, by charging agencies directly for the full costs of providing these services. However, because of the difficulty that agencies have had in providing funding for the costs of these services, the Office of Information Services has not been able to use more than two or three positions at any one time. The Committee notes that the Office of Information Services could choose to fill these positions and charge agencies for the associated costs but has not done so in recognition of the budgetary limitations of most agencies.

As a result of the various recommendations made by the Committee to reorganize the three smaller divisions, agencies will no longer be required to directly pay for services received from the new Division of Information Resource Management, regardless of frequency of use. To help complete this change in funding methodology, the Committee is recommending that the existing authority to fill these positions be discontinued, thus resulting in the deauthorization of 19 positions in FY 91 and subsequent potential savings of more than \$450,000 in direct costs to state agencies; and

- **Transfer the function of Customer Support back to the Bureau of Data Processing.** As a final piece to the Committee's recommendation to create a new Division of Information Resource Management, the Committee is recommending that customer support services for personal computer users in state government be placed back

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within the Bureau of Data Processing. The Committee notes that the five positions used to support this function are Bureau of Data Processing positions and are funded through the Bureau of Data Processing rate base. Therefore, such a change is an intra-agency administrative action which will not require any formal legislative changes.

Taken as a whole, the Committee finds that these recommendations will result in a consolidated, more efficient administrative unit which delivers needed services in the areas of strategic planning, policy and standards development, and training and professional development at no direct cost to state agencies. Therefore, the Committee recommends that the Office of Information Services be reorganized to promote organizational efficiency and to provide needed services without direct costs to state agencies.

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STATUTORY

2. Repeal the provision in current law which specifies that Assistant to the Deputy Commissioner positions are members of the unclassified service.
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Upon review of the manner in which the Office of Information Services is currently organized and staffed, the Committee found that under current law [5 MRSA 1885(2)] states that, "...any assistant to the deputy commissioner shall be in the unclassified service."

At the present time, there are four Assistants to the Deputy Commissioner within the Office of Information Services - one each for the Divisions of Telecommunications, Planning and Management Services, Customer Support, and Training and Development. As unclassified employees, these individuals do not have the protection of the Civil Service System, and thus serve at the pleasure of the Deputy Commissioner.

When viewed from a larger departmental perspective, the Committee noted that this classification is a third tier administrative level below the Commissioner and Deputy Commissioner. The Committee found that administrators at this level should not be subject to political appointment. The Committee also found that the need for overall effectiveness and agency continuity requires that these positions should have the protections of the Civil Service system as classified employees.

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(As a consequence of the preceding recommendation, the total number of Assistant to the Deputy Commissioner positions within the Office of Information Services will be reduced from 4 to 2).

Therefore, to promote the continuity and effectiveness of the Office of Information Services, the Joint Standing Committee on Audit & Program Review recommends the repeal of the provision in current law which specifies that Assistant to the Deputy Commissioner positions are members of the unclassified service.

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FINDING                    3.                    The Joint Standing Committee on Audit & Program Review finds that there is a need for state agencies to develop internal information systems structures which complement and parallel the structure and mission of the Office of Information Services.

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During the course of its review of the Office of Information Services, the Committee noted that information systems is not a prominent organizational function within many state agencies. In fact, a significant number of state agencies, both large and small, do not place the information service function in a direct or even upper level reporting relationship to the chief executive officer. As a result, these agencies do not usually have a cogent and well conceived approach to information systems and, therefore, lack meaningful strategic management planning, relevant data processing equipment, and an effective telecommunications system.

The Committee found that state agencies that do not include information services as an integral part of the management team, inevitably suffer from an overall lack of organizational effectiveness and efficiency. Further, the Committee observed that the Office of Information Services offers one model for the manner in which information services might be delivered within Maine State Government; i.e. the Office of Information Services is prominently placed within state government with a Deputy Commissioner who reports directly to the Commissioner of Administration.

The Committee also found that in its effort to work with agencies to develop a comprehensive strategic planning process, the Office of Information Services is constantly urging agencies to elevate and strengthen the information services function to an appropriate level within the organization. The Joint Standing Committee on Audit & Program Review endorses this approach and finds that there is a need for state agencies to develop internal information systems structures which complement and parallel the structure and mission of the Office of Information Services.

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## INFORMATION SERVICES POLICY BOARD

### Purpose/Responsibilities

The Information Services Policy Board was created concurrently with the establishment of the Office of Information Services. In brief, the Board was intended to set information services policy for state government. This board is somewhat unique in state government in that it is not merely advisory but has substantive authority to establish information services policy for state government.

As established by statute (5 MRS § 1893), the Information Services Policy Board has the following responsibilities:

- to assist the Deputy Commissioner in the establishment of **data processing standards**;
- to assist the Deputy Commissioner in developing a **comprehensive master plan** for information services as it relates to all of state government;
- to work with the Deputy Commissioner to investigate and establish **priorities** to be incorporated into the master plan;
- to assist the Commissioner, and give final approval for **data processing rules, policies and fees**;
- to work with the Deputy Commissioner to provide for a **regular review of information processing operations** in state government; and to make necessary recommendations to the Governor, Commissioners or agency heads;
- to conduct **investigations** of any issue deemed pertinent to its authority; and
- to establish an **information and data exchange procedure** for the purpose of collecting certain economic and social data.

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The Information Services Policy Board also has a statutory mandate to examine the issue of data processing centralization within state government and report to the Legislature by March 30, 1987.

By statute, the Information Services Policy Board has the following membership:

Voting members:

- Commissioner of Administration (or designee);
- Commissioner of Finance (or designee);
- Commissioner of Human Services (or designee);
- Commissioner of Labor (or designee);
- Commissioner of Transportation (or designee);
- Deputy Secretary of State, Division of Motor Vehicles;
- Representative from the Governor's Office;
- two members appointed by the Governor to represent the remaining state agencies;
- two members appointed by the Governor, who are data processing administrators in the private sector;
- Commissioner of Economic & Community Development (or designee);
- Executive Director of Maine State Housing Authority (or designee);
- Executive Director of the Finance Authority of Maine (or designee); and
- Executive Director of the Maine State Retirement System (or designee)

Advisory Members:

- representatives from agencies of the Legislature, to be appointed by the Legislative Council; and
- a representative from the Judiciary to be appointed by the Chief Justice of the Supreme Judicial Court.

Under the provisions of current law (5 MRSA §1892), members of the Board are not entitled to compensation but are reimbursed for expenses. Individuals who represent state agencies do not have specified terms. Private members are appointed by the Governor for 3 year terms.

Board members are allowed to appoint designees but such designees must hold major policy influencing positions. The Chair of the Board is elected by members for a 2 year term. Current law prohibits the Commissioner of Administration from serving as chair. Current law also specifies that the Board meet at least 10 times a year.

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### Method of Operation

According to the minutes of Board meetings reviewed by the Committee, the Information Services Policy Board first met on December 16, 1986. Since then, the Information Services Policy Board has met eight times in 1987, six times in 1988, and 8 times in 1989.

An analysis of attendance by Board members shows the following:

- an average of 11 members attended the first 20 meetings;
- 24% of the members in attendance for these meetings were Commissioners;
- 33% of the members were designees who hold "policy influencing" positions;
- 28% of the members were designees who tended to have a more technical background; and
- 14% were the private sector members.

A further analysis of Board meetings shows that for the second 10 meetings there was an increasing tendency for Commissioners to send designees with a more technical background.

During the first 20 meetings, the Board explicitly exercised a number of its authorities by:

- approving rates for the Bureau of Data Processing;
- developing and approving data processing standards regarding departmental financial systems;
- working towards development of a master plan;
- maintaining an overview of information processing operations in state government;
- submitting a required report regarding a data and information procedure to the Legislature; and
- submitting a required report examining the issue of further centralization of data processing equipment and personnel within the Bureau of Data Processing.

The Board also spent a considerable amount of time in the following activities; all of which relate in some fashion to it's overall responsibilities:

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- selection of the Office of Information Services' Deputy Commissioner;
  - review of the development and implementation of the MFASIS project and development of a written policy regarding the creation of departmental financial systems;
  - review of possible funding alternatives for the Office of Information Services; and
  - review of the activities and accomplishments of the Office of Information Services.

Upon review, the Committee found that in several instances, the Office of Information Services has administered certain responsibilities, without formal Board approval, that are jointly assigned to the Board and the Deputy Commissioner. For example:

- through the development of personal computer contracts with 3 vendors, the Office of Information Services has developed a defacto data processing standard for personal computers regarding use of MS-DOS operating systems for state government;
- similarly, an open ended contract was developed with Corporate Software, Inc. which allows agencies to buy any software product from this vendor without approval from the Office of Information Services;
- the Office of Information Services has also worked with state agencies to develop a data base standard for mini-computers. This standard is reflected through the adoption of the "ORACLE" data base product for use by all state agencies;
- the Office of Information Services has conducted data processing audits of numerous state agencies, and made necessary recommendations; and
- the Office of Information Services has assisted a number of state agencies in various planning efforts, large and small.

From a review of Board minutes, the Committee also noted that it is clear that Board members have been adequately informed about the various activities listed above.

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As an important part of its review of the Office of Information Services, the Committee dedicated a significant amount of time towards understanding the various roles and responsibilities of the Information Services Policy Board. The Committee recognized the paramount importance of having an effective body to set information services policy for the executive branch of Maine State Government.

Committee members were not satisfied that the Board has adequately fulfilled its statutory responsibilities to vigorously develop effective information services policies for state government. Accordingly, the Committee has developed a number of recommendations which are designed to strengthen the Board's role in setting information service policy and to improve the Board's overall effectiveness.

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STATUTORY	4.	Amend current law to require that all information service policies and standards must be approved by the Information Services Policy Board.
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Current law [5 MRSA §1893 (1)] states that the Information Services Policy Board shall assist the Deputy Commissioner of the Office of Information Services in establishing data processing standards. Current law [5 MRSA §1893 (5)] also mandates that the Board will assist in the development of rules, policies and fees, and give its final approval for the same.

As mentioned earlier, the Committee found that, in practice, standards and policies have been developed and administered by the Office of Information Services without formal approval by the Board. Further, the Committee found that while the Board clearly knew about these standards and policies, and appeared to implicitly approve of them, such policies should only be administered after having been thoroughly reviewed and formally approved by the Board.

Therefore, to clarify existing law and to strengthen the Board's role in establishing policy, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to require that all information service policies and standards must be approved by the Information Services Policy Board.

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STATUTORY

5. Amend current law to authorize the Information Services Policy Board to have jurisdiction and oversight responsibilities for the Telecommunications Division within the Office of Information Services.
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The Information Services Policy Board currently has statutory authority to assist the Deputy Commissioner in developing and improving a comprehensive master plan, which includes the realm of telecommunications [5 MRSA §§1893 (3) and 1886 (7)]. However, the Deputy Commissioner is authorized to maintain and operate central telecommunications services [5 MRSA §1886 (2-A)] without any involvement from the Board. This authority includes jurisdiction of the Deputy Commissioner (with the Commissioner's approval) to establish a telecommunications rate schedule. As mentioned in the previous recommendation, the Deputy Commissioner currently shares authority for data processing rate setting with the Information Services Policy Board.

When the Office of Information Services was created by the Legislature, telecommunications was not originally included within the Office of Information Services' jurisdiction. The Telecommunications Division was then located within the Bureau of Public Improvements. After a year's time, authority for telecommunications planning was vested with the Information Services Policy Board and the Deputy Commissioner. In 1987, the Telecommunications Division was transferred within the Department of Administration from the Bureau of Public Improvements to the Office of Information Services. However, the authorizing legislation for this transfer only addressed the placement of telecommunications within the Office of Information Services and did not affect the mandate of the Information Services Policy Board in any fashion.

Upon review, the Committee found that comprehensive information service policy necessarily includes the topic of telecommunications. Further, the Committee found that to be effective, the Information Services Policy Board must have the same degree of authority over telecommunications as it does for data processing, strategic planning, standards and policy development, and training and professional development efforts.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to authorize the Information Services Policy Board to have jurisdiction and oversight responsibilities for the Telecommunications Division within the Office of Information Services.

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STATUTORY

6. Amend current law to allow the Office of Information Services to develop written data processing and telecommunications standards, subject to approval by the Information Services Policy Board, and that these standards be included in the annual Office of Information Services' report to the Legislature.
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As mentioned previously, current law [5 MRSA §1886], contains several provisions which mandate the Deputy Commissioner, with the assistance of the Information Services Policy Board, to develop standards for the acquisition and use of data processing and telecommunications equipment.

Upon review, the Committee found that while the Office of Information Services has worked to develop and administer certain standards, these standards have not been formally promulgated for the convenient use of state agencies. In fact, the Committee noted that there is not any one source which agencies can access for a comprehensive list of whatever policies and standards have been created.

The Committee further found that successful information service policies developed for use by state government must include clearly written standards for data processing and telecommunications. Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to require the Office of Information Services to develop written data processing and telecommunications standards, subject to approval by the Information Services Policy Board, and that these standards be included in the annual Office of Information Services' report to the Legislature.

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STATUTORY

7. Amend current law to allow the Information Services Policy Board to develop a strategic planning process for use by state government.
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Current law includes several mandates for the Deputy Commissioner and the Information Services Policy Board to develop a comprehensive master plan. This master plan mandate requires the Deputy Commissioner and the Board to develop a master plan for data processing and telecommunications and to assist agencies in implementing that plan. In addition, the Deputy Commissioner is required to submit a detailed biennial report on the master plan to the Governor and the Legislature. State agencies are also required to submit detailed biennial business plans which are to be reviewed and approved by the Deputy Commissioner and the Board, and then be included as a part of the master plan.

Upon review, the Committee found that on a number of occasions the Board has considered its statutory responsibility to develop and implement a comprehensive master plan. However, neither the Information Services Policy Board nor the Deputy Commissioner has developed any one document which can be construed as a single, comprehensive master plan. Instead, the board has approved a conceptual planning approach which clearly defines the differing roles of the Board, the Office of Information Services, and state agencies. This planning approach also incorporates an earlier discussed methodology developed by the current Division of Planning and Management Services for long range systems planning.

The Board has involved itself in the planning process and has been supportive of three significant inter-agency planning projects:

- MCJUSTIS - a criminal justice planning effort which involves the Departments of Public Safety and Corrections, the Attorney General, the Judicial Branch, local and county law enforcement agencies, the Prosecutors Association, and the Legislature;
- GIS - (Geographic Information System) - which involves the Departments of Conservation, Marine Resources, Environmental Protection, Inland Fisheries & Wildlife, Economic & Community Development, Educational & Cultural Services, Human Services, and Labor, the State Planning Office, the Legislature, the Portland Council of Governments, the University of Maine, Central Maine Power, Data Processing Services, and the United States Geological Survey; and
- MFASIS - (Maine Financial & Administrative Statewide Information System) - which involves all state agencies.

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After careful review of the provisions of current law and the manner in which the Board and the Deputy Commissioner are moving to implement a dynamic planning process which responds to the changing needs and priorities of state government, the Committee found that the present mandate to develop "a comprehensive master plan" does not provide the board with the necessary flexibility to develop an adequate planning process. Further, the Committee found that the present mandate for a comprehensive plan has not been complied with, and is not likely to be in the foreseeable future.

Therefore, to more accurately reflect the current planning process, which is deemed to be appropriate and worthwhile, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to allow the Information Services Policy Board to develop a strategic planning process for use by state government.

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STATUTORY

8.

Specify that semi-autonomous state agencies will have information systems which are compatible with those approved by the Information Services Policy Board.

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Both the Information Services Policy Board and the Deputy Commissioner have a broad mandate to provide, supervise, and coordinate information services for "state agencies". Current law does not address whether the reference to state agencies includes semi-autonomous agencies of the state such as the Maine State Retirement System, the Maine State Housing Authority and the Finance Authority of Maine. Semi-autonomous agencies are generally held to be those agencies created by law for a specific public purpose but have not been included within the executive branch of Maine State Government.

The Committee found that semi-autonomous agencies and the other two branches of government are well represented on the Information Services Policy Board. By law, the Board's voting members include the Deputy Secretary of State, Division of Motor Vehicles; the Executive Director of the Maine State Housing Authority; the Executive Director of the Finance Authority of Maine, and the Executive Director of the Maine State Retirement System. In addition, representatives from the Legislature and Judiciary are included as advisory, non-voting members of the Information Services Policy Board.

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The Committee gathered comment from the chief executive officers of many of the semi-autonomous agencies regarding the nature of the services provided to their agencies by the Office of Information Services. In general, most of the responses indicated satisfaction with the services received and a desire for some sort of continuing relationship.

After careful consideration of the unique status of semi-autonomous state agencies, and their frequent need to interact or exchange information on a regular basis with agencies in the executive branch, the Committee found that information systems developed by semi-autonomous state agencies should be compatible with the standards and policies approved by the Information Services Policy Board. The Committee also found that the use of the word "compatible" should help to give semi-autonomous agencies a reasonable degree of flexibility in developing their information service systems, while at the same time helping to ensure that these agencies will be able to interact successfully with the information systems used by the executive branch.

Therefore, to recognize the unique status of semi-autonomous state agencies, and their continuing need to interact with state agencies and receive services from the Office of Information Services, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to specify that semi-autonomous state agencies will have information systems which are compatible with those approved by the Information Services Policy Board.

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STATUTORY	9.	Specify in current law that the Legislature and Judiciary are not subject to the authority of the Information Services Policy Board.
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As mentioned in the previous recommendation, the Judicial and Legislative branches of government have varying degrees of representation on the Information Services Policy Board. The Secretary of State's office, which is considered to be in the Legislative branch, is represented by the Deputy Secretary of State, Division of Motor Vehicles, as a voting member. The Legislature and the Judiciary are also represented on the Board by a non-voting advisory member from each body.

After a careful review of current law, the Committee found that there is no explicit statement regarding the jurisdiction of the Information Services Policy Board over the Legislative and Judicial branches of state government. Of utmost concern to the Committee was the separation of powers principal, i.e. no one branch of government will have undue control or influence over the other.

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The Committee also found that the separation of powers doctrine necessarily extends to the issue of information service policy. While acknowledging the many efficiencies that can be realized by having a single information service policy(s) for all of state government, the Committee held that it is imperative that the Legislative and Judicial branches not be bound by information service policy formulated by a largely executive branch body like the Information Services Policy Board. The Committee noted that although no problems have arisen to date regarding the Board's jurisdiction over the Legislature and the Judiciary, the potential for such a conflict is real and needs to be addressed.

For the purpose of this recommendation, the Committee included the Constitutional Officers as part of the Legislative Branch. These officers are appointed by the Legislature but have a largely executive function and include the Attorney General, the State Treasurer, the Secretary of State, and the State Auditor.

Therefore, in recognition of the separation of powers doctrine, the Joint Standing Committee on Audit & Program Review recommends that law be enacted to specify that the Legislature and Judiciary are not subject to the authority of the Information Services Policy Board.

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FINDING

10.

The Joint Standing Committee on Audit & Program Review finds an ongoing need for the Legislative and Judicial branches to work with the Information Services Policy Board in a cooperative fashion to develop information systems which are compatible with the policies and standards approved by the Board.

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In light of the preceding recommendation which established that the Legislative and Judicial branches should not be subject to the authority of the Information Services Policy Board, the Committee also found that in most cases, the three branches of government can realize a much higher degree of efficiency by working together under a common information service policy(s).

Therefore, the Joint Standing Committee on Audit & Program Review finds an ongoing need for the Legislative and Judicial branches to work with the Information Services Policy Board in a cooperative fashion to develop information systems which are compatible with the policies and standards approved by the Board.

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STATUTORY

11. Amend current law to specify that the Chair of the Information Services Policy Board shall be the member appointed by the Governor from the Governor's Office.
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Under the provisions of current law [5 MRSA §1892 (5)], the Chair of the Information Services Policy Board is elected by voting members for a two year term. In addition, current law prohibits the Commissioner of Administration from serving as Chair.

As a part of the effort to strengthen and improve the Board's effectiveness, the Committee considered the importance of having strong leadership for a policy making body. After careful review of the issue how to best provide on-going leadership for the board, the Committee placed tremendous value on the Board's status as a policy making body for the executive branch.

The Committee concluded that the board could be led most effectively by leadership from the Governor's Office. The Committee found that this leadership should be provided by mandating that the Chair of the Information Services Policy Board be the member appointed by the Governor from the Governor's office. In this manner, the Board will benefit by a more direct relationship to the highest chief executive officer in the executive branch. The Committee noted that by establishing a strengthened relationship between the Board and the Governor's office, this recommendation would be following the precepts of a preceding finding which advocated that state agencies elevate the function of information services within their own organization.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to specify that the Chair of the Information Services Policy Board shall be the member appointed by the Governor from the Governor's Office.

ADMINISTRATIVE

12. Direct that the Chair of the Information Services Policy Board act to enforce the provisions of current law which requires that designees must be persons in policy-influencing positions.
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As reflected in the provisions of current law [5 MRSA §1892 (1)], the Board is composed of commissioners or top level administrators at the policy level. Most members are authorized to send designees who hold major policy influencing positions.

Upon review, the Committee found that the 1985 report from the Governor's Management Task Force recommended that the former Computer Services Advisory Board be restructured as the Information Services Policy Board by changing the membership, "...from technical personnel to cabinet and subcabinet decision makers." As a rationale for this change, the Task Force report stated that:

"...Long range planning can only be productive if conducted by people able to make financial, structural and organizational judgments and decisions."

Attendance at recent Information Services Policy Board meetings has been characterized by an increasing tendency of Commissioners and Executive Directors to violate the provisions of current law by sending designees who do not hold major policy-influencing positions. As a result, the Committee found that many attendees at Board meetings are individuals with a technical background who do not have the authority to represent their agencies on significant information service policy decisions considered by the Board. Despite the dedication of such persons, the Committee found that the Board's ability to function as an effective policy making body has been significantly hampered by the failure of Board members to send appropriate designees as required by law.

To help address this problem, the Committee sent a letter to the current Chair, urging the Chair to enforce the provisions of current law by not allowing persons who do not hold major policy-influencing positions to formally participate in Board meetings as voting designees. For the purposes of this report, the Joint Standing Committee on Audit & Program Review reiterates that action by directing the Chair of the Information Services Policy Board to enforce the provisions of current law which requires that designees must be persons in policy-influencing positions.

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STATUTORY            13.            Amend current law to specify that members of the Information Services Policy Board must appoint a single individual as their designee for attendance at board meetings.

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To follow up on the intent of the previous recommendation, which seeks to improve the Information Services Policy Board's effectiveness by increasing the participation of persons holding major policy-influencing positions, the Committee considered a practice used by the Special Committee on the New Capitol Area Master Plan. In brief, that body allows statutory members to send designees but requires that each member must select one particular individual to serve as designee.

The Audit & Program Review Committee found that this practice helps to ensure the effective representation of each agency, thereby increasing the overall effectiveness of the body in question. The Committee further found that this practice could be applied to the Information Services Policy Board to help ensure the same type of results.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to specify that members of the Information Services Policy Board must appoint a single individual as their designee for attendance at board meetings.

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STATUTORY            14.            Amend current law to decrease the number of required Information Services Policy Board meetings per year from at least 10 to at least 4.

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Current law [5 M RSA §1892 (6)] requires that the Information Services Policy Board must meet at least 10 times a year. As mentioned earlier, the Board has not complied with this provision for any of the three full calendar years that it has existed. The Information Services Policy Board met eight times in 1987, six times in 1988, and eight times in 1989.

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During the course of the review, the Committee received comment from the Board which indicated that current Board members questioned the need to have at least 10 meetings per year. The Board suggested to the Committee that more meaningful and carefully conceived agendas could be planned if the Board were allowed to meet less frequently. This particular point of view was reiterated by the Board members appointed from the private sector who stated their belief that the current meeting requirement did not always result in particularly eventful meetings and that it was difficult for them to attend so frequently.

Upon review of the current meeting requirement, the Committee agreed that the present mandate for at least 10 meetings per year is excessive. The Committee found that requiring a minimum of at least four meetings per year will result in more meaningful and productive sessions. However, the Committee also found it necessary to empower the Chair to convene meetings whenever necessary.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to decrease the number of required Information Services Policy Board meetings per year from at least 10 to at least 4.

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STATUTORY

15.

Amend current law to specify that the Secretary of State is a member of the Information Services Policy Board.

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Current law [5 MRS §1892 (1) F] states that the Deputy Secretary of State for the Division of Motor Vehicles is a voting member of the Information Services Policy Board. The Committee also noted that current law does not specify that this representative of the Secretary of State's office can appoint a designee.

A review of minutes of Board meetings shows that the specified Deputy Secretary of State has rarely been in attendance. Instead, the Secretary of State's office has been represented by a number of persons serving as designees.

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The Committee received a formal request from the Secretary of State asking that current law be amended to specify that the Secretary of State be a member of the Board and be allowed to use a designee. The Committee found that such a change would result in a more consistent Board consisting of chief executive officers with authorized designees.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to specify that the Secretary of State is a member of the Information Services Policy Board.

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STATUTORY	16.	Repeal the current responsibility of the Information Services Policy Board to develop a data exchange procedure.
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Current law [5 MRSA 1893 (8)] establishes that the Information Services Policy Board has the responsibility for proposing a set of options for establishing an information and data exchange. This mandate specifies that certain economic and social data be gathered by the Board for use by the Department of Economic and Community Development and the State Planning Office. The law specifies 16 data categories to be collected by the Board:

1. employment data;
2. wage data;
3. income data;
4. housing data;
5. education data pertaining to the work force;
6. enrollment data pertaining to secondary vocational centers and the Technical College System;
7. enrollment of Maine residents in higher education institutions, both in and out-of-state;
8. job training data;
9. business financing data;
10. general assistance data;
11. business growth and change data;
12. land use data as it pertains to development status;
13. business investment data;
14. business usage of electrical power data;
15. data pertaining to employment/unemployment patterns and economically distressed regions; and
16. taxation data.

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This law also requires that the Board report to the Joint Standing Committee on Housing and Economic Development by January 15, 1989. The reporting requirements are detailed and require that the Information Services Policy Board must:

- describe the available information;
- identify the format(s) in which the information exists;
- identify which of the data is available via computer;
- identify the age of the data;
- identify the frequency by which the data is updated;
- identify the extent to which the data can be organized by municipality;
- identify alternatives for coordinating the data;
- identify the costs for implementing each alternative; and
- identify the means by which users of this information may have easy access to it.

Upon review, the Committee noted that this statutory mandate is quite different than the Board's overall mandate to develop information service policies for the use of all state agencies. In most cases, the Board has acted to facilitate, encourage and, ultimately approve planning and information gathering efforts initiated and implemented by state agencies themselves. The mandate for the Board to collect certain economic data is unusual in that this type of mandate would often be assigned to the agency most directly concerned with this particular subject.

The Committee found that the Information Services Policy Board complied with the requirements of PL 1987, Ch. 701 by submitting the required report to the Joint Standing Committee of Housing and Economic Development in January of 1989. The report was accomplished through the significant time commitments of at least 4 staff persons from the Office of Information Services for more than 6 months. The submitted report consisted of 2 volumes which addressed all of the statutory requirements and included 4 proposed alternatives for implementation:

- Alternative I; maintain a database directory located at a "Data Center". This alternative had a 3 year cost of \$65,718 and was the option recommended by the Board;
- Alternative II; maintain a Database Directory located at a "Data Center" with remote access. This alternative had a 3 year cost of \$76,474;

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- Alternative III; merge and maintain databases of a stand alone minicomputer. This alternative had a 3 year cost of \$340,434; and
  - Alternative IV; move all data to a pre-existing mainframe host. This alternative had a 3 year cost of \$262,557.

The Committee found that no action has been taken to implement any of the alternatives contained in the report nor has any individual or group initiated a single request to have a copy of the 2 volume report.

On behalf of the Information Services Policy Board, the Office of Information Services has completed collecting the required data. The Committee noted that the law does not explicitly require that the Information Services Policy Board update this data, but the Board is required to make an annual report regarding the data and information procedure to the Joint Standing Committee on Housing and Economic Development.

After a review of the existing statutory mandate and the manner in which the board has complied with this mandate, the Committee concluded that there is not any continuing need to have the Board maintain the existing data and information exchange procedure.

The Committee also noted that the Department of Economic and Community Development has an existing set of reporting requirements which largely duplicate the aforementioned requirements assigned to the Board. The Committee found that the Department's reporting mandate should be amended to include two data categories not covered in the Department of Economic and Community Development list.

Therefore, the Joint Standing Committee on Audit & Program Review recommends the repeal of the current responsibility of the Information Services Policy Board to develop a data exchange procedure.

STATUTORY

17.

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Repeal an outdated mandate for the Information Services Policy Board to report on the need to further centralize data processing functions and personnel.

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The provisions of current law [5 MRSA §1893 (2)] require that the Information Services Policy Board review the issue of further centralizing data processing equipment and personnel within the Office of Information Services. Upon review, the Committee found that this mandate originated from the Report of the Governor's Management Task Force, which initiated the creation of the Office of Information Services. An original recommendation of the Task Force to centralize all agency data processing personnel and equipment within the Office of Information Services was significantly revised to the present review requirements mentioned above.

As required by law, the Information Services Policy Board submitted a report on the centralization issue to the Committee on State and Local Government in March of 1987. In brief, the Board's report concluded that no further centralization of data processing personnel or equipment was needed at this time, but that the issue may require periodic review.

After noting that there has not been any other apparent interest in the centralization issue, the Committee found that it is no longer necessary for this mandate to remain in statute.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that an outdated mandate for the Information Services Policy Board to report on the need to further centralize data processing functions and personnel be repealed.

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ADMINISTRATIVE 18.

Direct the Office of Information Services and the Information Services Policy Board to conduct a study concerning the feasibility of becoming a part of the Governor's Office. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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ADMINISTRATIVE 19.

Direct that the Office of Information Services and the Information Services Policy Board conduct a comprehensive study regarding the manner in which information service functions are organized, funded, and staffed in other states. Also gather information as to the various Board of Director configurations that other states may use to develop information service policy. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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During the course of the review, Committee members expressed a significant degree of concern regarding the organizational placement, and subsequent effectiveness, of the Information Services Policy Board and the Office of Information Services. The Committee questioned whether the Office of Information Services and its policy making body, the Information Services Policy Board, are properly placed as a part of the Department of Administration. Several Committee members suggested that the Office of Information Services is not placed at the appropriate organizational level within state government and that placement within a larger department, such as Administration, may significantly hamper the overall ability of the Office of Information Services to assume a more prominent role in the development, provision, and coordination of information services within state government.

The Committee considered the possibility of recommending that the Office of Information Services be transferred from the Department of Administration to the Governor's Office. The purpose of such a move would be to elevate the Office of Information Services to an appropriate level within state government and consequently ensure more direct leadership from the Governor. However, upon final consideration, the Committee decided that, at this time, it would be more appropriate to have this possibility studied in more detail.

In addition, the Committee expressed an interest in having more information gathered regarding the manner in which other states have funded, structured, and organized their information service functions.

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The Committee found that the information gathered from these two studies will enable the Legislature to develop any future recommendations regarding the Office of Information Services and the Information Services Policy Board.

Therefore, the Joint Standing Committee on Audit & Program Review makes two recommendations. First, the Committee recommends that the Office of Information Services and the Information Services Policy Board conduct a study concerning the feasibility of becoming a part of the Governor's Office. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

The Committee also recommends that the Office of Information Services and the Information Services Policy Board conduct an in-depth, comprehensive study regarding the manner in which information service functions are organized, funded, and staffed in other states. In addition, information should be gathered as to the various Board of Director configurations that other states may use to develop information service policy. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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ADMINISTRATIVE 20.

Direct that the Office of Information Services and the Information Services Policy Board conduct a feasibility study regarding the use of the so-called "smart-card" for state government. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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As a part of the review of the Office of Information Services and the Information Services Policy Board, the Committee expressed an interest in an emerging technology in data processing, popularly referred to as "smart cards". In brief, smart cards are small plastic cards which resemble credit cards and are embedded with tiny computer chips which possess memory and processing capabilities.

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Upon review, the Committee found that smart cards represent a technological innovation with potential for use by state government. The Committee found that a number of state governments have already used smart cards to administer the following responsibilities:

- benefit transfer systems;
- vehicle registration;
- driver licenses;
- professional and recreational licenses;
- voter registration;
- birth and death certificates;
- public health medical records; and
- parole monitoring.

More specifically, the Committee found that smart cards can be used to replace certain administrative procedures such as food stamps. In that particular application, smart cards could be used by eligible individuals to receive certain purchasing authorities on a monthly basis. The individuals would then use their smart cards to purchase needed food items. All authorizations and transactions would be accomplished through the data processing capabilities of the smart card, thereby eliminating a great deal of paperwork, and the handling of food stamps.

The Committee found that smart cards represent a tool which has the potential of significantly improving the overall efficiency and effectiveness of Maine State government, but notes that no particular action has been taken to apply this technology in Maine State government.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Office of Information Services and the Information Services Policy Board conduct a feasibility study regarding the use of so-called "smart-cards" for state government. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review with any subsequent recommendations.

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## BUREAU OF DATA PROCESSING

### Purpose and Responsibilities

The Bureau of Data Processing is that part of state government which provides centralized data processing services for agencies. Under the provisions of current law (5 MRSA §1887), the Bureau is mandated to assure consistency, stability, reliability, responsiveness, and flexibility in all aspects of data processing services; to assure a high quality of service to all users; to allocate and use resources effectively; to assure adequate back up for all information services; and to assist the Deputy Commissioner in carrying out the responsibilities of that position.

### History

Prior to the creation of the Department of Administration and the Office of Information Services, the Bureau of Data Processing existed as "Central Computer Services". Central Computer Services was a part of the former Department of Finance and Administration. The Committee found that Central Computer Services had more of a regulatory role than the present Bureau which has a more service-oriented mission. Many of the former regulatory responsibilities of Central Computer Services are now administered by other organizational units within the Office of Information Services.

As mentioned earlier, the Governor's Management Task Force in 1985 originally called for the complete centralization of all data processing functions, equipment and personnel into a Bureau of Data Processing within a separate Department of Information Services. The Committee found that many state agencies were strongly opposed to the increased centralization of data processing within state government, and were successful in having this proposal dropped from the final reorganization approved by the Legislature.

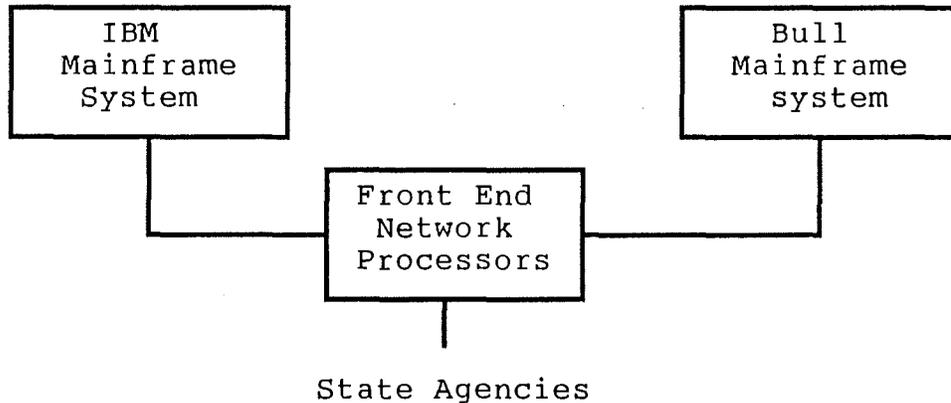
Advocates for increased data processing centralization were successful in having a mandate included for the Information Services Policy Board which required the Board to review the centralization issue and report to the Legislature in 1987 with any subsequent recommendations. The Board's report to the Legislature reflected the Board's opposition to any data processing centralization other than what already existed at the Bureau of Data Processing. The Board recommended that the Legislature not take any further action on this matter but that the issue be periodically reexamined.

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### Method of Operation

The Bureau of Data Processing currently provides data processing services to state agencies primarily through the use of 2 mainframe computers; an IBM system and a Bull (formerly known as "Honeywell") system. These two systems run independently from each other and each serves a particular group of customers (agencies) for specific applications. As shown below, the two mainframe systems are linked to each other and all Bureau of Data Processing customers through the use of two network processors:



The network processing units route traffic from a particular customer to the appropriate mainframe system. Many Bureau customers communicate with the mainframe system over a network of data communications equipment which is provided and maintained by the Bureau. Some customers communicate directly with the mainframe system over the network; others prepare the data themselves and deliver it to Bureau of Data Processing for processing by the mainframe systems.

The Bull mainframe currently handles a significant majority of the Bureau's business. However, it is projected that the IBM system will catch up within a two year period. Each mainframe system represents a significant capital investment and each system requires its own set of operating and support personnel.

The Committee reviewed a recent (1988) inventory which showed that most state agencies have access to the mainframe systems at the Bureau. The results of this inventory also indicated that almost all state agencies make use of personal computers and there are at least 4,505 separate personal computers and computer terminals being used by agencies in remote locations.

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As depicted in the accompanying organizational chart, the Bureau of Data Processing is headed by a Director who reports directly to the Deputy Commissioner of the Office of Information Services. By statute, the Director is appointed by the Deputy Commissioner with the approval of the Commissioner of Administration and serves at the pleasure of the Deputy Commissioner.

The Bureau of Data Processing organizational structure is straightforward. By administrative decision, the current Director has included the bureau wide support functions of financial operations, administrative support, and customer assistance as organizational units within the Director's office. The majority of customer services are provided by three line divisions: Operations; Systems and Programming; and Systems Software and Planning. Each of the aforementioned organizational units are briefly described in the following sections.

#### Director's Office

As shown in the accompanying organizational chart, the Director has the services of a Deputy Director position which is currently vacant. The Director's office also includes the Customer Assistance Division which provides a wide variety of services, both for the Bureau and for customers. These services include:

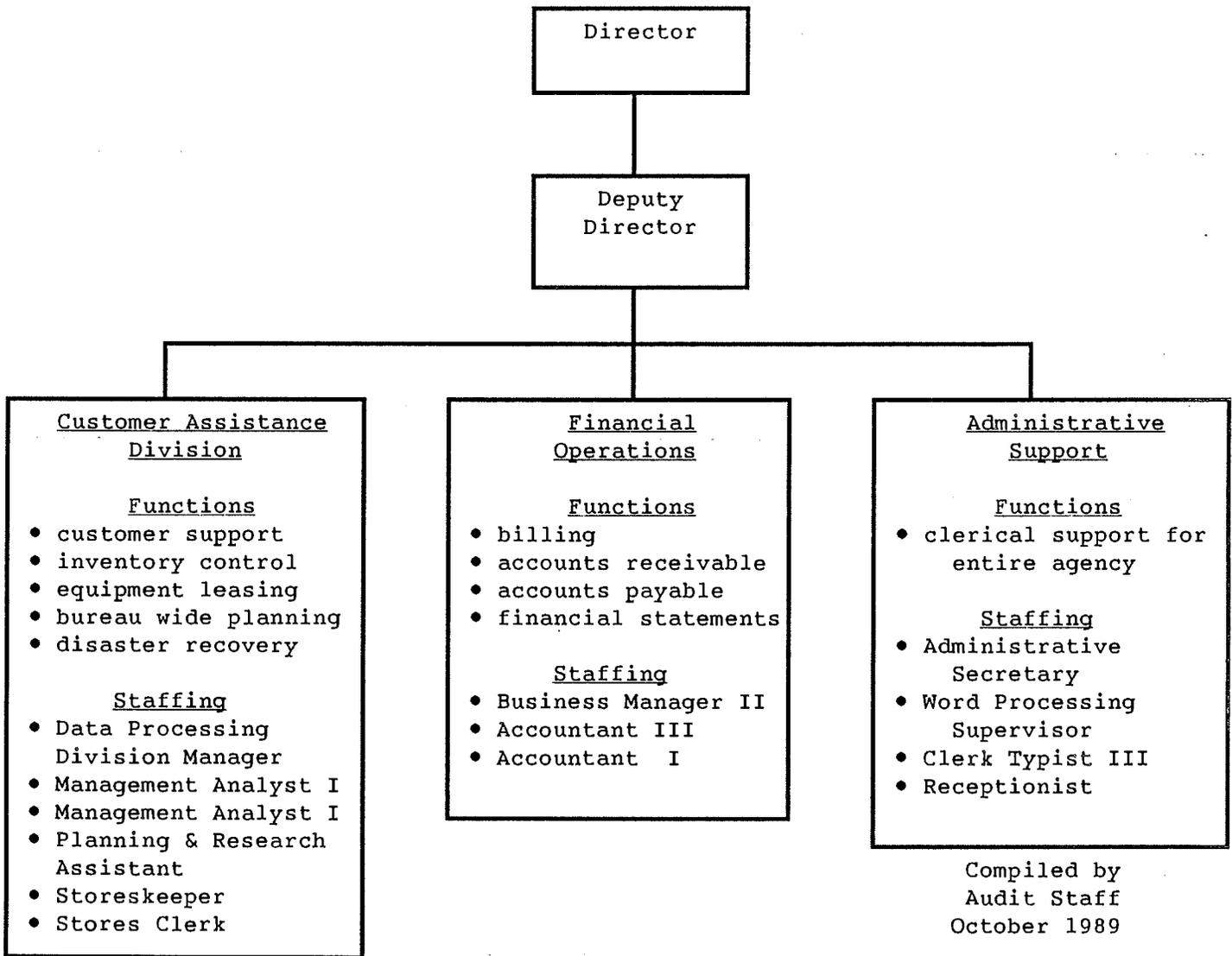
- maintenance of a data base for all equipment (excluding telecommunications) which belongs to the Office of Information Services;
- development of Bureau goals and objectives;
- administration of data processing equipment leasing to state agencies;
- maintenance and administration of a stockroom for Bureau use;
- handling of all shipping and receiving;
- administration of a help desk for those customers needing assistance with mainframe use and applications; and
- development of a statewide disaster recovery plan for information services.

In connection with the help desk function, the Customer Assistance Division was instrumental in helping to establish Problem Resolution teams. These teams are composed of agency data processing professionals and are formed by subject area to react to significant problems relating to equipment, software or applications.

The Disaster Recovery Planning effort is statutorily mandated and is in the early stages of development. This planning effort is intended to enable agency administrators to assess potential risk to their information services function in the event of a disaster, and what back-up systems and recovery plans need to be in place. The Committee found that this process will be completed within 3 years, with a status report to the Information Services Policy Board in early 1990.

The Customer Assistance Division is headed by a Division Manager and has a total staff of 6 positions.

**BUREAU OF DATA PROCESSING**  
 Director's Office and  
 Support Functions  
 Organization, Functions and Staffing



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Financial management for the Bureau is also accomplished within the Director's office. This responsibility is staffed by a Business Manager II and two other positions.

Finally, the Director's office provides administrative and clerical support for the entire Bureau. This function is staffed by a total of four positions.

#### Operations Division

The Committee found that the Operations Division is the largest organizational unit within the Bureau of Data Processing. As its name implies, the Operations Division is responsible for maintaining the production environment for the mainframe systems. In addition, this Division has specific responsibilities which include oversight over the network by which agencies connect to the Bureau; providing data entry services; maintaining a data tape library for the use of customers; receiving, completing and distributing customer work requests; and computer generated printings (tax bills, checks, etc.).

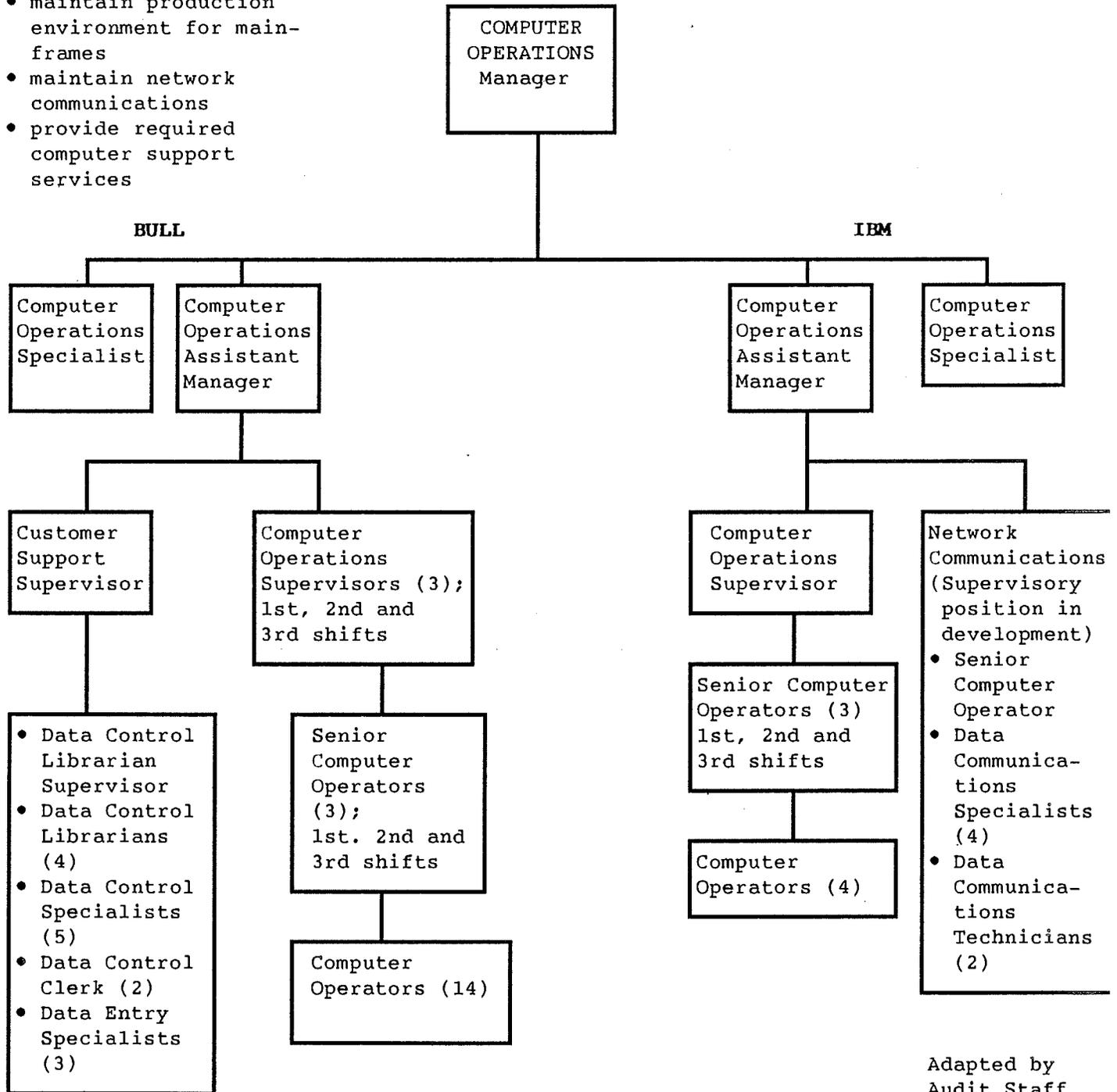
As shown in the accompanying organizational chart, the Operations Division accomplishes its responsibilities through two separate staffing units. One unit has the primary responsibility for the Bull mainframe system and for customer support functions such as the data library, job input/output, and data entry. The other unit is responsible for maintaining the IBM mainframe system and the data processing communications network. Each unit has the services of a Computer Operator Specialist who helps to bridge the gap between operations and the software programs used in each mainframe.

The Operations Division is headed by a Manager with Assistant Managers for each unit. Both mainframe systems are operated on a twenty four hours a day, seven days a week basis, thereby requiring 3 shifts of personnel. As shown in the chart, because of its larger volume of work, the Bull mainframe system requires a larger staff. In total, the Operations Division is staffed by sixty two positions.

**BUREAU OF DATA PROCESSING  
DIVISION OF OPERATIONS:  
ORGANIZATION, FUNCTIONS, STAFFING**

Primary functions:

- maintain production environment for main-frames
- maintain network communications
- provide required computer support services



Adapted by  
Audit Staff  
October 1989

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## Systems and Programming Division

The Systems and Programming Division provides systems analysis and programming services for state agencies. More specifically, this Division helps agencies to solve business problems through automation.

In this type of consulting role, this Division is somewhat similar to the earlier reviewed Division of Planning and Management Services which is also part of the Office of Information Services. The Committee found that the primary difference between the two divisions is one of scope; the Systems and Programming Division focuses on solving specific business problems within state agencies through the use of automation. The Division of Planning and Management Services works to bring agencies together in inter-departmental planning projects for information service needs. In theory, the success of the larger inter-agency planning efforts will help to identify the types of specific agency problems that the Systems and Programming Division can help to solve.

The Division makes use of a systems development cycle by which a project (or problem) is identified and solved. Briefly, the Systems Development Life Cycle consists of 8 sequential and logically constructed steps:

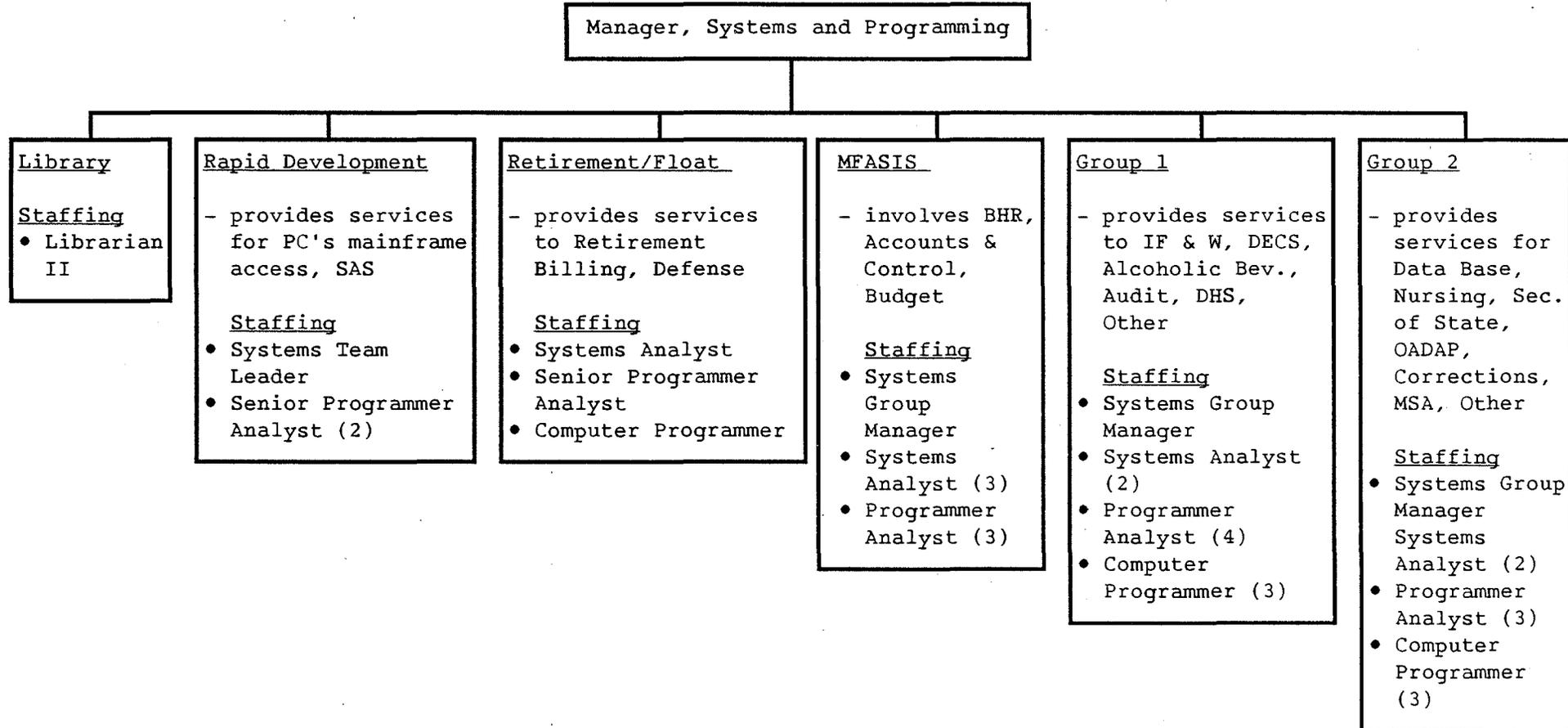
1. Initiation.
2. Analysis of current system.
3. Requirements Definition.
4. Conceptual Design.
5. Detail Design.
6. Construction.
7. Implementation.
8. Post-Implementation Review.

Upon review, the Committee found that the Division will be involved in the initiation of about 6 projects at any one time. In addition, the Division is always involved in 25-30 previously developed projects which require modification.

Projects are developed on a cost estimate basis and agencies are billed for time and materials. Currently, the Division charges \$35 per hour for personal services and hopes to recover 65% of the total billable hours worked by Division personnel. The Committee found that more than 50% of the Division's projects are involved in cost overruns.

BUREAU OF DATA PROCESSING  
 SYSTEMS AND PROGRAMMING DIVISION:  
 ORGANIZATION, FUNCTIONS AND STAFFING

Primary Function:  
 work with state agencies  
 to provide "business solutions"  
 through automation.



Adapted by  
 Audit Staff  
 October 1989

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As shown in the accompanying chart, the Systems and Planning Division is organized into five different groups, each of which has a specific set of responsibilities or agencies that it works with on a regular basis. In addition, the Division maintains a library of past and present project development efforts. In total, this Division is staffed with 32 positions.

#### Systems and Software Planning Division

The Systems and Software Planning Division is the smallest "line" division within the Bureau of Data Processing. The purpose of this division is to install and maintain software programs used by the mainframe systems.

Work conducted by Division personnel is technical in nature and requires a great deal of professional training and expertise. Routine tasks for the Division staff include:

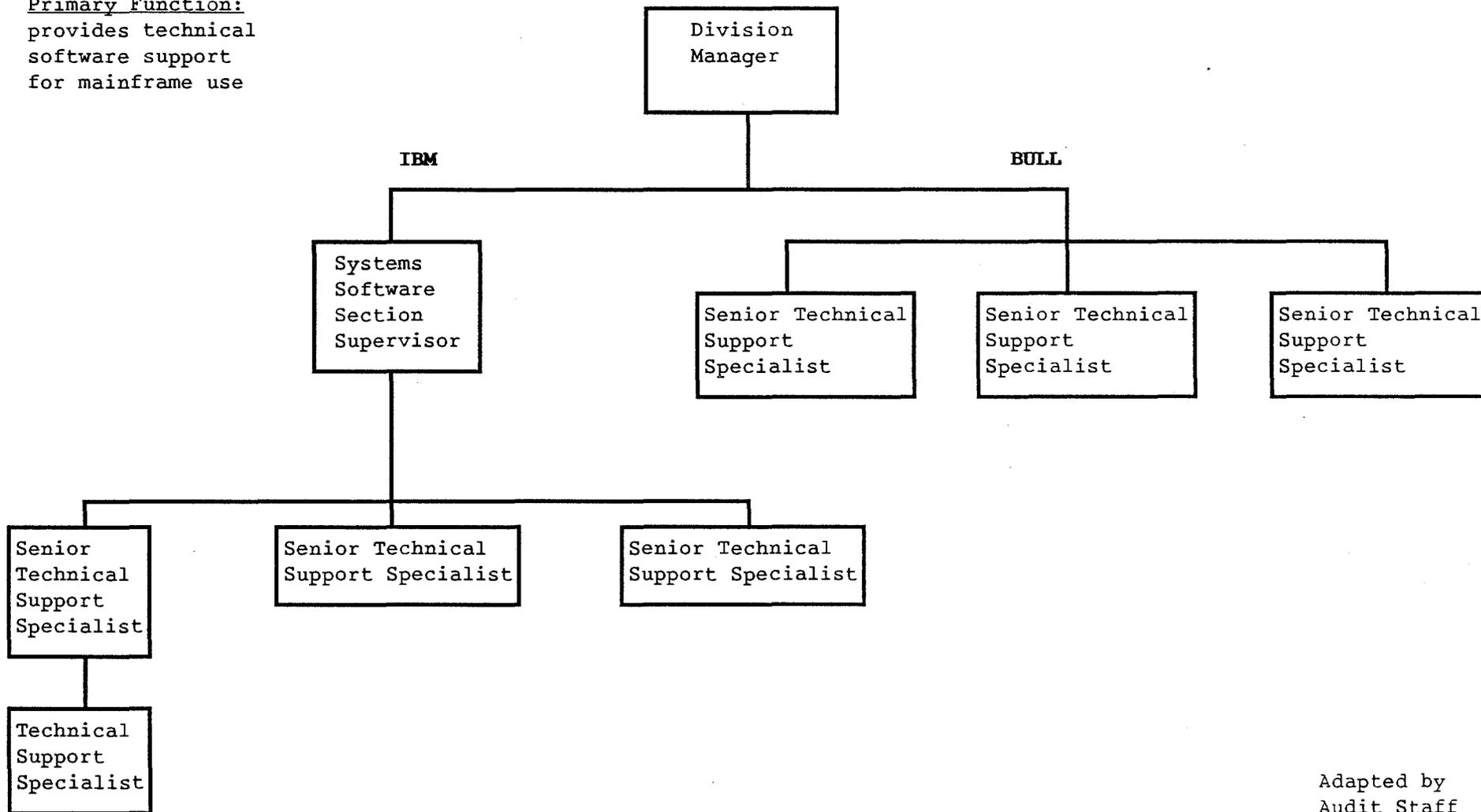
- diagnosing and fixing software problems;
- providing a technical interpretation for software problems;
- assessing and analyzing the capacity, use, and efficiency of the mainframe systems; and
- helping to address technical problems relating to network communications.

As seen in the accompanying chart, Division personnel are assigned to either the IBM or Bull mainframe systems. Each staff position has a specific responsibility pertaining to one of the mainframe systems; most of these responsibilities involve a particular operating system or technology which is essential to the successful functioning of the particular mainframe system.

The Committee found that Division personnel are almost always on call and do a lot of their work during the 2nd and 3rd shifts when the mainframe systems are not as busy. Total staffing for the Division consists of 9 positions.

BUREAU OF DATA PROCESSING,  
SYSTEMS AND SOFTWARE  
PLANNING DIVISION:  
ORGANIZATION, FUNCTION AND STAFFING

Primary Function:  
provides technical  
software support  
for mainframe use



Adapted by  
Audit Staff  
October 1989  
ID #79

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Funding and Expenditures

The Bureau of Data Processing does not receive any appropriations from the General Fund. Instead, this agency is funded solely through revenues collected for services rendered to other state agencies.

The Bureau of Data Processing has its own internal service fund. The Legislature allocates funding levels and authorized positions for the Bureau. In essence, the Bureau receives authorization from the Legislature to receive funds and spend up to a specified dollar amount. Similarly, the Bureau has authorization to employ a certain number of people, assuming that the agency will be successful in generating the necessary revenues for services rendered.

In recent years, revenues and expenditures for the Bureau of Data Processing have steadily increased. When considering financial trends of the Bureau, the Committee noted that increased revenues and expenditures are directly tied to increased customer use of services. The following table reflects the increase in Bureau expenditures and, to a certain extent, agency use of centralized data processing services:

BDP Expenditures

	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
Personal Services	\$2,553,147	\$2,942,486	\$3,949,617	\$ 5,679,963	\$ 5,904,356
All Other	5,067,473	5,972,403	9,048,581	9,728,000	11,688,000
Capital Improvements	<u>155,713</u>	<u>7,127</u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$7,776,333	\$8,922,016	\$12,998,198	\$15,407,963*	\$17,592,356*

\* Projected

The Bureau of Data Processing generates its revenues through a series of rates charged for different services. Bureau rates are formulated through an analysis of recent experience and a determination of various cost centers. By law, all data processing rates must be approved by the Deputy Commissioner and the Information Services Policy Board. Generally speaking, as the volume of business increases, more revenues are generated and the Bureau is able to offer the same level of services at a lower rate. The Committee noted that rates for the Bull mainframe have recently decreased by 25%; and that the principal IBM rates have decreased by 21.5% and 15.4%.

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In recent years, the Bureau of Data Processing has worked to simplify the rate structure and reduce the number of rates. The Bureau has been successful in reducing the number of rates from 40 to 23 and anticipates further consolidation during the next few years.

The Committee also noted that a reduction in the number of rates has the effect of simplifying the process by which the Bureau of Data Processing bills agencies for services rendered. For example, the August 1988 bill for the Department of Transportation was approximately 300 pages long. The Committee found that the August 1989 bill to that same agency was only 30 pages in length and was simpler to read.

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ADMINISTRATIVE	21.	Direct that the Office of Information Services and the Information Services Policy Board undertake a complete review of the dual mainframe system currently used by the Bureau of Data Processing, possibly through use of an outside consultant. Report during the compliance review to the Joint Standing Committees on State and Local Government and Audit & Program Review on the results of this review with any subsequent recommendations.
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As mentioned earlier, current data processing services provided to state agencies from the Bureau of Data Processing are available through the use of two separate mainframe computer systems - IBM and Bull. Each mainframe system provides services to a particular group of state agencies. Upon review, the Committee found that particular agencies use a particular mainframe largely by choice.

In practice, the Committee found that most agencies are currently using the Bull mainframe system. Recent data gathered by the Committee indicates that 141 state employees in 15 different agencies are directly associated with the use of the Bull mainframe. These agencies include the Departments of Human Services, Finance, Educational and Cultural Services, Environmental Protection, Conservation, Public Safety, Labor, Inland Fisheries and Wildlife, Marine Resources, and Economic and Community Development, as well as the Secretary of State, Workers' Compensation Commission, Division of Community Services, the Public Utilities Commission, and the Bureau of Data Processing itself.

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In contrast, the IBM mainframe is currently used by four agencies; the Department of Human Services, the Department of Transportation, the Maine State Retirement System, and the Bureau of Data Processing. A total of 39 employees from these agencies are directly associated with the operation of this mainframe system.

The Committee noted that recent trends for the number of transactions processed indicate that total use of the IBM mainframe will catch up to the Bull mainframe within three years, and soon after, will surpass the Bull mainframe.

The Committee took note of the large amount of money invested in each system; an estimated total of \$5.05 million for the Bull and \$4.2 million for the IBM.

Prior to the 1970's, the Bureau's predecessor, Central Computer Services, made successive use of three single mainframes; IBM, RCA and Honeywell (Bull) respectively. In the early 1970's, Central Computer Services went to the present dual mainframe configuration for two apparent reasons:

- first, at that time there was a big push within state government for centralized data processing services; and
- second, as a consequence of the centralization move, the Department of Transportation agreed to let Central Computer Services take over its IBM system and thus be able to provide services from that system to other interested customers.

Upon review, the Committee found that since that time, Central Computer Services and the Bureau of Data Processing have been forced by circumstance to maintain, upgrade when necessary, and provide separate staffing for the two mainframe systems. The present policy of the Bureau of Data Processing is to support the current service needs of Bureau customers, thereby ensuring, for the time being, continued use of the two mainframe systems. The Committee also noted that the present situation promotes very competitive pricing between the two mainframe vendors.

After careful review of the current issues surrounding the use of the dual mainframe system, the Committee found that there is a need to conduct an in-depth analysis of the present system to assess effectiveness, efficiency, and ultimate cost. The Committee also found that this analysis should be conducted by a joint study effort of the Office of Information Services and Information Services Policy Board, possibly through use of an outside consultant. (In the following recommendation, the Committee notes that the Office of Information Services has already responded to this particular recommendation by creating a special one year position to conduct this study and to accomplish several other duties.)

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Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Office of Information Services and the Information Services Policy Board undertake a complete review of the dual mainframe system currently used by the Bureau of Data Processing, possibly through use of an outside consultant. Report during the compliance review to the Joint Standing Committees on State and Local Government and Audit & Program Review on the results of this review with any subsequent recommendations.

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ADMINISTRATIVE 22.

Direct that the newly created Senior Planner position in the Bureau of Data Processing be used to staff the Information Services Policy Board.

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After having developed the previous recommendation, the Committee noted that the Office of Information Services has initiated the study process by creating a one year Senior Planner position to conduct the review effort. This Senior Planner is funded through the Bureau's Internal Service Fund and, although listed as a Bureau position, will work out of the State Planning Office.

The Committee endorses the steps taken by the Office of Information Services and finds that the associated costs will be significantly less than if a private consultant were used. In addition, to encourage the need for objectivity, the Committee favors having an office for this position that is not located in any part of existing Office of Information Services' office space.

The Committee found that the conditions surrounding the creation of this position are also favorable to providing professional and impartial staffing for the Information Services Policy Board. Members of the Committee had significant concerns about the desirability of having a policy making body, such as the Board, receive staffing directly from the Deputy Commissioner's office.

The Committee prefers a staffing arrangement which will help both the Information Services Policy Board and the Office of Information Services to carry out their respective roles with greater effectiveness. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the newly created Senior Planner position in the Bureau of Data Processing be used to staff the Information Services Policy Board.

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ADMINISTRATIVE 23.

Direct that the Office of Information Services work to provide a common office location for the Systems and Programming Division and the proposed Division of Information Resource Management. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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Earlier in this report, the Committee noted that the Systems and Program Division within the Bureau of Data Processing has a mission which is closely related to that of the proposed Division of Information Resource Management. In brief, the former works to solve specific intra-departmental business problems while the latter works on an inter-agency level to develop an effective strategic management planning process. In theory, the development of a successful inter-agency planning process, assisted through the work of the proposed Division of Information Resource Management, will help to identify problems on the inter-agency level which can be solved through automated solutions developed by the Systems and Programming Division.

The Committee found that the overall process described above results in interaction between the two Divisions, but noted that such interaction is significantly hampered by the different office locations of each organization. The Systems and Programming Division is located with the rest of the Bureau of Data Processing in the State Office Building in Augusta, whereas the present components of the proposed Division of Information Resource Management are located in a leased facility in Gardiner.

The Committee concluded that the physical separation of these two divisions is detrimental to the optimal effectiveness of the overall planning process in which they are both engaged. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Office of Information Services work to provide a common office location for the Systems and Programming Division and the proposed Division of Information Resource Management. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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ADMINISTRATIVE 24.

Direct that the Bureau of Data Processing take advantage of existing opportunities to allow agencies the option of having projects completed on a fixed cost basis. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the frequency by which fixed-cost projects are being used and with what degree of success.

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As discussed previously, the Systems and Programming Division helps agencies to solve their "business problems" through automated solutions such as customized computer programming. Currently, the Division provides agencies with a cost estimate for each project. If the agency agrees to have the Division work on the project, the agency is billed for actual time and materials incurred by the Division in completion of the project.

Upon review, the Committee found that cost overruns occur on more than 50% of Division projects. Many of the cost overruns can be attributed to changes by the agency in the original proposal. Currently, the Division charges \$35 per hour for its services and has a goal of recovering 65% of its billable hours.

The Committee noted that a number of respondents to the Committee's survey criticized the Bureau of Data Processing for cost overruns in the project development process. Many of these respondents alleged that agencies have little control, and few options, with regard to this process. It appears that a number of agencies have exceeded budgeted figures for such projects and were forced to divert other funds. A number of respondents suggested that the Bureau provide these services on a pre-arranged, fixed cost basis.

After further review, the Committee concluded that this situation could be significantly improved by allowing agencies to acquire these services on a fixed-cost basis. Therefore, to improve efficiency and to promote greater accountability in the project development process administered by the Systems and Programming Division, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Data Processing take advantage of existing opportunities to allow agencies the option of having projects completed on a fixed cost basis. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the frequency by which fixed-cost projects are being used and with what degree of success.

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ADMINISTRATIVE 25.

Direct that the Bureau of Data Processing strive to fill the currently vacant position of Deputy Director. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the current status of that position.

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During the course of its review of the Bureau of Data Processing, the Committee noted that the position of Deputy Director was vacant and had been so for approximately one year's time. To some extent, this position has not been filled because of the many changes occurring both within the Bureau itself and in the larger organizational context of the Office of Information Services. The current Bureau of Data Processing Director has preferred not to fill the Deputy Director position until a number of significant issues had been resolved within the Bureau.

However, the Committee concluded that the top management positions within the Bureau of Data Processing should not be left vacant for any significant length of time and that to do so, markedly hinders the Bureau's overall effectiveness. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Data Processing strive to fill the currently vacant position of Deputy Director. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the current status of that position.

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FINDING 26.

The Joint Standing Committee on Audit & Program Review finds that the current facilities for the Bureau of Data Processing are inadequate in terms of space, safety, and efficiency.

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ADMINISTRATIVE 27.

Develop a prioritized list of current facility problems and possible responses to each problem. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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At the present time, the Bureau of Data Processing occupies more than 20,000 square feet of space on the 3rd and 4th floors of the State Office Building. The Committee found that current space requirements of the Bureau of Data Processing are between 35,000 and 45,000 square feet and projects the long term space needs of the Bureau to be 60,000 square feet.

The Committee concluded that the Bureau of Data Processing is occupying office space in the State Office Building which is inadequate from several perspectives; which include:

- ongoing capital expenses to modify existing space; more than \$250,000 was spent in 1986 to modify this space;
- cramped space restricts the Bureau's technological options and, somewhat paradoxically, forces the Bureau to buy newer, more expensive equipment when older equipment could still be used. For example, the Bureau has to be able to store data and has several older pieces of equipment that are serviceable and have the capacity to store the data being generated. However, the Bureau does not have the space to house several of these older machines and has had to buy a newer piece of equipment with a greater storage capacity but takes 1/3 of the space required by the older machines;
- space restrictions prohibit the Bureau from filling all of its authorized positions, thereby restricting the provision of optimal service to state agencies;

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- the present space is not designed to house a modern computer mainframe operation. In particular, the Bureau of Data Processing cannot increase its power consumption because the present facility cannot currently handle any more usage of electricity without the risk of a major failure to the building's electrical system. Consequently, the Bureau must disconnect a piece of current equipment before connecting a new piece of equipment that uses the same amount of power. In addition, the current facility does not have enough space to allow the Bureau to have a back-up power source for use during electrical failures;
  - the mainframe systems are water cooled, thus extensive plumbing, at considerable cost, is required. If the cooling system ever leaked, this plumbing poses a significant threat to all of the state's personnel records which are located on the 3rd floor directly below the mainframes;
  - the present mainframe systems require a raised floor for cooling, electrical, and network connections. The existing raised floor does not provide enough space for these functions. Because of its rough surface, the present raised floor poses a constant threat to employee safety and, because of current crowding, cannot be easily removed for maintenance and modification purposes;
  - the State Office Building location also presents serious security difficulties; public access to the mainframe environment is difficult to control;
  - cramped space reduces potential efficiencies of the Bureau work force and adversely affects employee morale; and
  - the Bureau of Data Processing is physically separated from the rest of the Office of Information Services which is located in leased space in Gardiner. This separation has had a significant negative effect upon organizational cohesiveness and effectiveness.

Upon review, the Committee found that the Bureau's space problems have been well documented for a number of years:

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- in 1985, the Governor's Management Task Force recommended that the former Central Computer Services be moved out of the state office building into either a new building or existing facility which had the necessary functional capacities;
  - PL 1986, Ch. 761, sec. 20 authorized the Bureau of Public Improvements to negotiate a lease-purchase arrangement for a new Central Computer Services facility. The law specifies that any such arrangement shall not exceed a term of 20 years, and that the financial resources be limited to those generated by Central Computer Services. The provisions of this law are still in effect; and
  - the Bureau of Data Processing has come close to entering into a lease-purchase agreement but for a variety of reasons this has never happened. At one point, the Bureau almost acquired the old state liquor warehouse - a move which was rejected in part because the Audit & Program Review Committee recommended that the building could be better used as a storage facility by the Maine State Museum and other cultural agencies.

The Committee noted that at the present time, there is not any direct move or effort to secure a new facility for the Bureau of Data Processing. Any such effort appears to be precluded by larger planning efforts being undertaken by the Special Committee on the New Capitol Area Master Plan.

The Committee estimates that using today's costs, a newly constructed facility would cost about \$7 million. In terms of a 20 year lease purchase arrangement, this would work out to total annual costs of:

- \$700,000 per year in interest;
  - \$300,000 in repayment of principal;
  - \$250,000 in operational costs
- \$ 1.25 million per year

The Committee also noted that if the Bureau of Data Processing's overall work load continues to grow at the present rate, it is within the realm of possibility that the annual costs of such a lease-purchased facility could be assimilated into the Bureau rate bases without any increase to those rates. This scenario assumes that increased use of Bureau services will continue to result in decreased rates.

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In view of the aforementioned issues surrounding the Bureau's current facility, the Joint Standing Committee on Audit & Program Review is taking two actions. First, the Committee is issuing a finding that the current facilities for the Bureau of Data Processing are inadequate in terms of space, safety, and efficiency. Second, the Committee recommends that the Bureau of Data Processing develop a prioritized list of current facility problems and possible responses to each problem. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.



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## TELECOMMUNICATIONS DIVISION

### Purpose and Responsibilities

The primary purpose of the Telecommunications Division is to provide telecommunications services for state government. As defined in current law [5 MRSA §1873 (5)], telecommunications includes "...the process of transmitting and receiving any information, to include voice, data and video, by any media to include wire, microwave, fiberoptics, radio and laser or satellite".

Under the provisions of current law [5 MRSA §§1885-1886], the Deputy Commissioner has the following responsibilities for telecommunications:

- **conduct planning efforts;**
- **maintain and operate** central telecommunications services;
- **employ** necessary technical and professional services;
- **establish an internal services fund account** for telecommunications revenues and expenditures;
- **establish a rate schedule**, subject to approval by the Commissioner of Administration, by which charges can be levied to "all units utilizing telecommunications services"; and
- **submit a budget** of estimated revenues and costs.

The Information Services Policy Board shares authority with the Deputy Commissioner to approve telecommunications planning efforts within state government. The Information Services Policy Board does not currently have authority over telecommunications policies or rate setting.

### History

Up until 1987, the Telecommunications Division was a part of the Bureau of Public Improvements, which, like the Office of Information Services, is within the Department of Administration.

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According to information contained in the 1985 report of the Governor's Management Task Force, the state's earlier telecommunications efforts were plagued by a lack of coordinated planning and a duplication of resources. Based on the information contained in that report, the role of telecommunications within the Bureau of Public Improvements was to simply install whatever telecommunications equipment had been requested by a state agency.

The final version of the Task Force report included a proposal for the Telecommunications Division to be housed within the Office of Information Services. The Committee found that the transfer of the Telecommunications Division was left out of the initial reorganization as an oversight in light of the other major organizational changes which occurred.

The Telecommunications Division was transferred from the Bureau of Public Improvements to the Office of Information Services by PL 1987, Ch. 242. This law allocated 10 authorized positions to the Telecommunications Division to be funded by the Telecommunications Internal Service Fund (Prior to the passage of this law, the six positions within the Telecommunications Division were funded by the General Fund). In addition, PL 1987 Ch. 242 authorized allocation (spending) levels which enabled the Telecommunications Division to start on the road towards developing a more coordinated telecommunications system for state government.

Most recently, the first regular session of the 114th Legislature passed several pieces of Legislation pertaining to the Telecommunications Division:

- P.L. 1989, Ch. 237 originating from the Appropriations Committee included several significant provisions:
  - authorized the lease-purchase of telecommunications related equipment costing up to \$40,000 (formerly \$30,000) without specific legislative approval, although such agreements are subject to review by the Appropriations Committee;
  - authorized the State Budget Officer to adjust allocations with the approval of the Governor; all such adjustments are subject to review by the Appropriations Committee;

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- established that all state agencies and departments must be part of the central telecommunications service network and that all telecommunications services, equipment, and systems are "property of the Office of Information Services";
  - substantially increased the Division's number of authorized positions and allocation levels;
  - established that the Deputy Commissioner must make an annual report on telecommunications to the Appropriations Committee; and
- PL 1989, Ch. 483 originating from the Audit & Program Review Committee transferred the telephone switchboard operators and supervisor from the Bureau of Public Improvements to the Telecommunications Division.

#### Method of Operation, Organization, and Staffing

Upon careful review, the Committee found that the telecommunications system(s) used by state government, and administered by the Telecommunications Division, is enormously complex and is in a state of significant transition.

Virtually every significant topic area relating to the Telecommunications Division is currently undergoing substantial change. These areas of change include the growth and maturation of the Division, a shift in the Division's method of providing services, and comprehensive changes in the telecommunications technologies used by state government.

The Committee found that at the present time, there are a variety of major and minor telecommunications systems which are used by state agencies. Some of these systems are technologically obsolete, others are on the cutting edge of modern technology.

Most of state government is currently served by the **Infoswitch/Long Distance System/Inter-Centrex Network**. This network links six principal centrex locations of state government (Augusta, Lewiston, Portland, Rockland, Bangor, and Presque Isle) into one telephone system. In addition, each **Centrex** location functions as its own local system for state agencies located in that immediate area and serves as a tie-in for a variety of smaller, "independent" systems used by state agencies located in remote areas.

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The Inter-Centrex Network allows state agencies to communicate via state leased lines without accessing the larger public network maintained by companies like New England Telephone. Thus, centrex users can dial within their own centrex by using only 4 digits. Similarly, centrex users can dial other state offices in different centrex locations by using a two digit code, and then dialing a four digit number. Finally, centrex users can use the network to gain access to local calling for each centrex center by first dialing the two digit centrex code, dialing "9" and then the complete seven digit number. In the final example, users of the centrex network have used the centrex network to access a local dialing area, but in doing so, have gone "outside" the system and are using a public carrier.

The Infoswitch/Inter-Centrex Network currently handles a great deal of the intra-state telecommunications traffic and most of the inter-state (out-of-state) traffic generated by state government through the use of an technologically outmoded piece of equipment referred to as the **Infoswitch**. The Infoswitch is located in Augusta and is responsible for the routing of all out-of-state calls made by centrex users, and many in-state calls. The infoswitch was originally installed for the purpose of providing greater accountability and control of long distance calls made by state agencies through the additional use of an individual identification number.

The technological capacity of the infoswitch was surpassed a number of years ago. In essence, most long distance calls, both inter and intra state, are routed through the Augusta infoswitch, regardless of the originating centrex location. The current volume of long distance calls far exceeds the capacity of the infoswitch. Many long distance calls are blocked at the infoswitch intersection and receive a busy signal. Recently, many of the calls formerly blocked by the infoswitch have been completed through the use of newer technologies. As the number of blocked calls goes down, agency telephone use increases, thus increasing costs. Agencies taken off the Centrex network have experienced a 65% increase in telecommunications usage.

A further limitation of the Inter-Centrex/Infoswitch System is the limited number of lines, or "trunks", which are available to carry the calls made over the system. In recent years, the Telecommunications Division has sought to alleviate this problem through the purchase or lease of additional lines.

Most state agencies which are not part of the Inter-Centrex/Infoswitch system have their own systems to route and switch calls received via the public network. These smaller systems are referred to as PBX's (Private Branch Exchange) and are outside of the inter-centrex network.

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The Committee found that one of the more advanced telecommunications technologies currently in use within state government is a recently developed "pilot network" which exists between certain state offices located in Augusta, Hallowell, and Gardiner. This pilot network links six PBX sites by using decentralized technology to automatically switch and route calls within the network according to current use. The pilot network and all new systems installed since July of 1988, provide state agencies with more efficient services at reduced cost with the following advantages:

- simplified dialing;
- rerouting of blocked calls;
- ease of use for customers;
- improved technology; and
- decentralized, more efficient service.

The Telecommunications Division has also been instrumental in developing and installing a "Nodal Telecommunications System" which is comprised of a number of smaller PBX digital systems each of which serve 75 to several hundred stations. These systems will serve as the foundation for a new, more technologically efficient state network which will allow, through the addition of each nodal system, the pass-through of more telecommunications traffic. Most recently, nodal systems have been installed at nine locations across the state.

For smaller telecommunications applications, the Telecommunications Division has been involved in the development of "Hybrid systems". Hybrid systems accommodate both digital and analog signals and are designed as small PBX systems for use by 10 to 100 stations. Through a contract awarded by a RFP process to Northern Telecommunications, Inc., the Telecommunications Division has recently installed new hybrid systems in six different locations.

In addition, the Telecommunications Division has recently expanded the Centrex network by adding new installations in Augusta, Bangor, and Lewiston.

Other recent initiatives of the Telecommunications Division include:

- development of wiring standards for state government, which was done by working closely with several major vendors - AT & T, IBM and Digital;

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- further development and expansion of the pilot network which links individual nodal systems into a larger, more efficient, technologically advanced telecommunications system; and
  - acquisition of a "Microvax System" from Digital. This advanced technology allows users of the pilot network (with eventual statewide application) to provide video text capability. In essence, this feature allows the quick distribution of frequently requested printed material.

Future plans of the Telecommunications Division include the continuing development of these various technologies, as well as the eventual dismantling of the Infoswitch System.

#### Organizational Structure

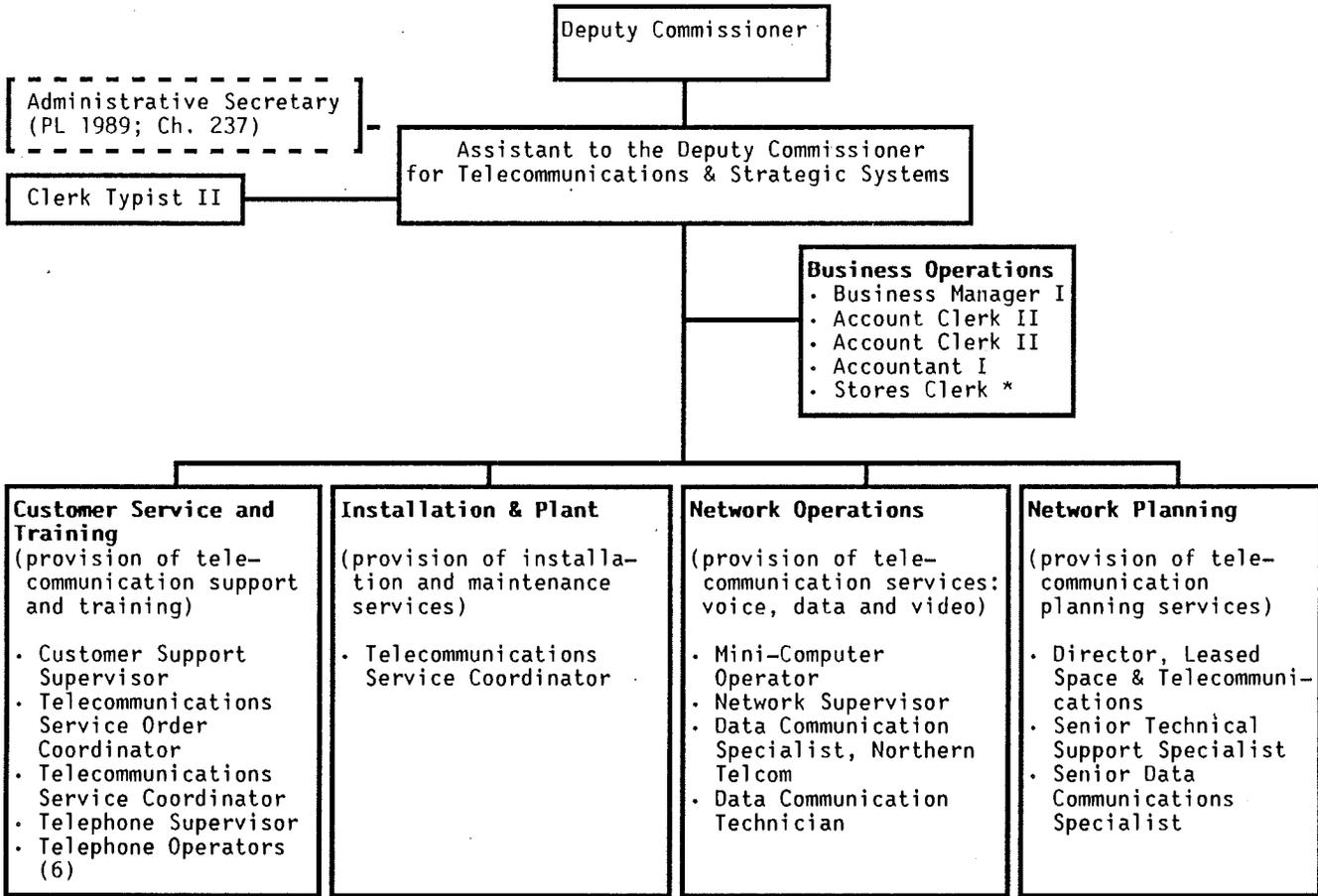
Upon review, the Committee found that at the present time, the Telecommunications Division is in a major organizational transition from a service "facilitator" to a service "provider". Much of this change was initiated by the aforementioned actions of the 114th Legislature which provided authorization for a significant increase in authorized positions, as well as an increase in the allocation levels for overall expenditures. The purposes of these changes appear to be several fold:

- first, to improve the Division's ability to provide telecommunications technologies required by state government;
- second, to further centralize administration of the telecommunications systems used by state government; and
- third, to shift from the use of private contractors to the use of state employees to provide installation, repair, and maintenance services at reduced costs.

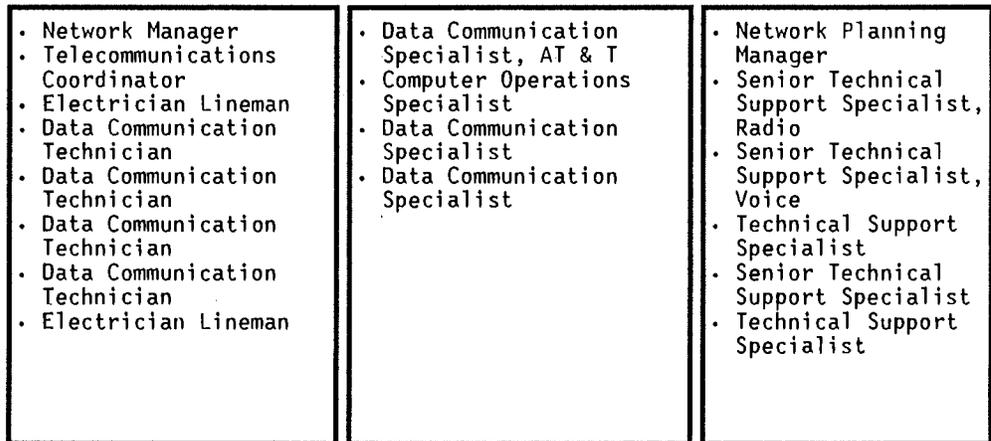
The impact of the changes authorized by PL 1989, Ch. 237 are illustrated by the accompanying organizational diagram; those positions listed below the dotted line represent the additional positions authorized, but not yet created or filled.

**TELECOMMUNICATIONS DIVISION  
OFFICE OF INFORMATION SERVICES**

**ORGANIZATION, STAFFING, FUNDING  
FUNCTIONAL RESPONSIBILITIES.**



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**Positions Authorized by PL 1989, Ch. 237, but not yet created or filled,**



NOTE: Unless specifically noted, all positions are funded by the Telco. Internal Service Fund.  
\* Funded by the Bureau of Data Processing Internal Service Fund Account

Compiled by  
Audit Staff  
March 1989

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As presently staffed, the Telecommunications Division is remarkably "flat", i.e. there is not much evidence of management functions or responsibilities, other than the considerable number of responsibilities directly administered by the Assistant to the Deputy Commissioner for Telecommunications and Strategic Systems. In addition to the normal administrative responsibilities of such a position, the Assistant to the Deputy Commissioner is shouldering a significant direct service role and is actively involved in the maintenance and provision of telecommunications services to state agencies.

A brief description of the Division's current organization is as follows:

- Customer Service and Training - This unit processes all agency requests for installations, modifications, and repair. In performing these responsibilities, this organizational unit will schedule and coordinate the use of all private contractors. In addition, this organizational unit provides help to state agencies with telecommunications difficulties or questions. Finally, this unit also includes the recently transferred switchboard operators and their supervisor;
- Installation and Plant - The one filled position in this unit is currently used to assess the needs of state agencies for telecommunications service;
- Network Operations - This operational unit has four newly created positions and provides ongoing telecommunications services to state agencies; and
- Network Planning - This organizational unit has three positions and provides telecommunications planning services for state agencies.

As stated earlier, each of these organizational units will soon experience a significant increase in the number of staff providing direct services and a more developed level of middle management positions.

The Telecommunications Division also provides approved telecommunications equipment for state agencies. The Telecommunications Division buys telecommunications equipment from different vendors and rents it to state agencies. For the convenience of state agencies, the Telecommunications Division administers a stock room of frequently used telecommunications parts and equipment.

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The transfer of the Telecommunications Division to the Office of Information Services, and the recent legislative requirements that state agencies be part of the central telecommunications service network and that all telecommunications equipment and services are the responsibility and property of the Telecommunications Division, have resulted in a move toward centralization. The Committee found that the Telecommunications Division currently handles about 2/3's of the total telecommunications bill paying process for state agencies and estimates that virtually all telecommunications bill-paying will be administered by the Telecommunications Division within a year's time. The Committee also found that the Telecommunications Division has current operational responsibility for about 1/2 of all telecommunications services currently used by state agencies, and estimates that the Division will have assumed complete operational responsibility within two years.

Overall Telecommunications Expenditures for State Government

In view of the fact that the Telecommunications Division is administering only a part of the telecommunications system used by state government, the Committee noted that it has been extremely difficult to accurately compile total telecommunication cost figures for state government. Different state agencies budget for telecommunications costs in different ways, and similarly, show telecommunications expenditures in different types of accounts.

The Joint State Government/University Telecommunications Planning Group recently commissioned a private firm, Ernest & Whinney, to conduct a comprehensive inventory of telecommunications services and resources that exist within state government and the University System. That 1988 inventory estimated telecommunications costs incurred by state government as follows:

•	Voice	\$ 7,417,501
•	Data	2,443,854
•	Radio	118,176
•	Space	
	(facilities)	102,748
•	Staff	<u>1,380,000</u>
	<b>TOTAL</b>	<b>\$11,462,279</b>

The Committee estimates that the current annual costs for telecommunications services incurred by state government are at about the \$14 million mark.

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Funding for the Telecommunications Division

Activities of the Telecommunications Division are funded solely through use of the Telecommunications Internal Service Fund. The Telecommunications Division does not receive any direct appropriation from the General Fund. Instead, the Division is allocated certain dollar amounts and numbers of authorized positions. The most recent allocations for the Telecommunications Division were as follows:

	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
Positions	10	10	40	40
Personal Services	\$ 269,400	\$ 288,640	\$1,362,296	\$1,414,982
All Other	<u>2,777,660</u>	<u>2,789,711</u>	<u>7,535,811</u>	<u>6,937,611</u>
<b>TOTAL ALLOCATIONS</b>	<b>\$3,047,060</b>	<b>\$3,078,351</b>	<b>\$8,898,107</b>	<b>\$8,352,593</b>

The Committee found that the relatively large allocations for "All Other" reflect the Division's increasing responsibility for administering and operating the state's telecommunications system.

Current Telecommunications Rates.

Those agencies which are part of the Inter-Centrex network pay a flat monthly rate of \$29 per station. This fee pays for operational, local calling, and routine maintenance costs. The \$29 rate was established in 1987 and, like all service rates administered by the Department of Administration, this rate has been approved by the federal government. The Committee found that the rate will be reexamined in June of 1990, and that an anticipated rate reduction will be in effect for the start of FY 91.

By law, telecommunications rates are approved by the Commissioner of Administration. As with other administrative services rates within the Department of Administration, telecommunications rates are set by the following process:

- through the accounting process, cost centers are determined through a grouping of similar types of costs;
- total costs are divided by the expected number of units to be sold;
- any profits that result from the established rates are then deducted from the relevant cost centers, which has the effect of lowering future rates; and

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- similarly, any resulting losses are added to the cost centers during the next time the rates are adjusted.

At the present time, the Telecommunications Division also charges a flat fee of \$150 for each station installation.

#### Billing Process.

As described earlier, the Telecommunications Division administers the telecommunications billing process for most state agencies. Those state agencies that directly pay their own bills tend to have their own telecommunications system which is not part of the Inter-Centrex/Infoswitch system. For some agencies, the Division pays the telecommunications bills but does not yet have operational responsibility. Other state agencies have their bills paid by the Telecommunications Division, which also has operational responsibilities for the agency's telecommunications systems.

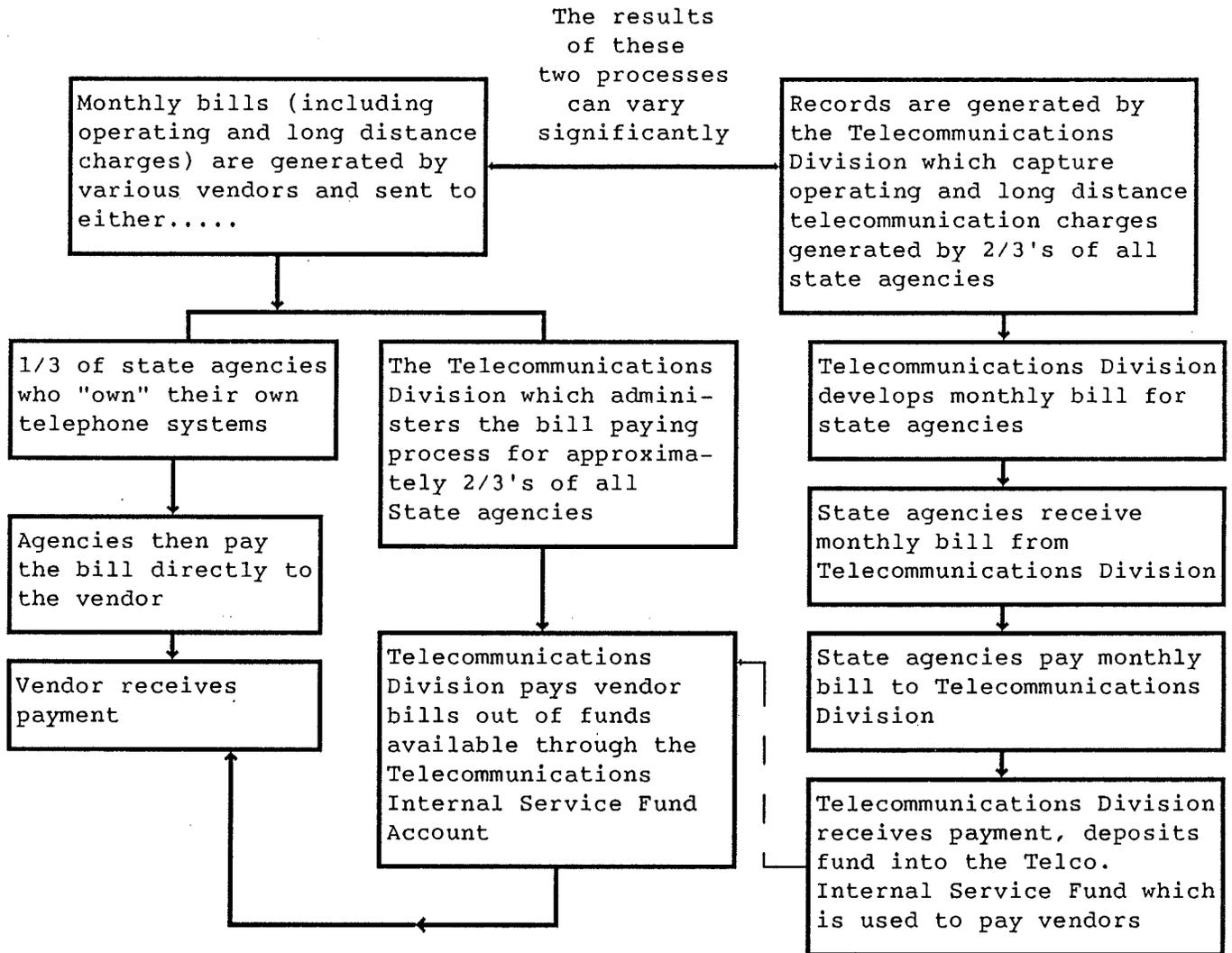
The Committee found that:

- New England Telephone sends out 2,000 separate monthly telecommunication bills to state government;
- The Telecommunications Division presently administers 600 of the 2,000 monthly bills; and
- The Telecommunications Division receives an additional 200 bills per month from other telecommunications vendors.

The Telecommunications Division pays the vendor bills that it receives from funds in the Telecommunications Internal Service Fund. Agencies are billed by the Division according to their use of the telecommunications system as reflected by Division records. In addition, bills from the Telecommunications Division include costs other than the operational charges reflected in the New England Telephone bills.

The Committee noted that the monthly bill paid by the Telecommunications Division to New England Telephone does not often correspond exactly to the records used by the Division to bill state agencies for their use of telecommunication services. The process used for telecommunications billing is illustrated in the accompanying diagram.

The Telecommunications Billing Process



Upon review, the Committee found that these dual billing procedures are followed because of the logistical difficulty faced by the Division in sorting through the massive NET bill (which comes in thousands of pages) to determine individual agency bills. The Committee noted that it is more efficient for the Telecommunications Division to use its own computerized records as the basis for billing agencies. By using this practice, the Telecommunications Division either makes or loses money on a monthly basis in a pattern which allows the Division to eventually break even.

The process used by the Telecommunications Division to bill state agencies for telecommunications services includes the following:

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- various automated systems track equipment inventories and the number of dedicated circuits at different customer locations. This data is multiplied by established equipment rates and billed to user agencies;
  - base operational charges are computed by multiplying number of stations (telephones) times the basic rate;
  - long distance utilization is captured by Infoswitch and NET Station Message Detail Records. Individual long-distance utilization is determined by tracking each station through use of ID numbers. Results are computed and multiplied by rates; and
  - credit card use is tracked through use of computerized record tapes supplied by NET. Credit card use is billed at cost to the user agency.

The Committee concluded that there are a number of significant problems with the telecommunications billing process. These problems include:

- capturing long distance calls and being able to determine which individual is making the calls is expensive; this expense is reflected in the present billing process;
- much of the cost in capturing the origin of long distance calls may be for naught, in that the Telecommunications Division reviews agency bills by comparing gross totals to the agency's recent billing history. The Telecommunications Division does not have either the technological or labor capacity to review monthly bills in much detail;
- the telecommunications bills sent to state agencies from the Telecommunications Division do not currently include any description of purchased product(s);
- the Division's telecommunications bill sent to state agencies does not define specific charges; and
- the telecommunications bill currently includes specific miscellaneous charges under several different headings.

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Financial Status of the Telecommunications Internal Service Fund

The Committee reviewed the various year end financial statements of the Telecommunications Internal Service Fund and found that the fund has sufficient cash flow to meet current obligations. However, the Committee noted that the Telecommunications Division is lacking an up-to-date business plan by which future lease-purchase obligations can be accurately anticipated and paid for through an appropriate telecommunications rate structure.

A further review of the Fund's financial statements shows that the Telecommunications Division has Total Fixed Assets valued at only \$943,258.08. The Committee found that this figure is not reflective of the total value of state telecommunications equipment. This low figure indicates that a great deal of equipment is not being properly depreciated, thereby resulting in larger replacement costs when the asset is no longer functional. The Committee found that a revised and improved telecommunications rate structure will help reflect a more realistic figure for fixed assets, and, consequently encourage the appropriate depreciation of telecommunications equipment.

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ADMINISTRATIVE 28.

Direct that the Telecommunications Division and the Bureau of Human Resources treat the classification, recruitment, and hiring process for the newly authorized positions in the Telecommunications Division as a priority. Report on July 1, 1990 to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review on the efforts to fill these positions with a special emphasis on the degree to which middle management positions have been created and filled.

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As presently staffed, the Telecommunications Division has not been able to adequately provide maintenance, repair or installation services. Instead, the Telecommunications Division has had to rely on private contractors to provide this service. The Committee found that the Telecommunications Division has not been successful in meeting the telecommunications needs of state agencies in an effective and efficient manner.

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The Committee also noted that the Telecommunications Division is virtually bereft of any personnel functioning effectively in middle management roles. As a result, the Assistant to the Deputy Commissioner has assumed an inordinate number of administrative and direct service responsibilities.

The Committee found that the staffing problems of the Telecommunications Division were addressed by recent legislative authorization of 20 new positions. However, as of March 1990, only five of these positions have been created and filled. While the Committee recognizes the often time consuming procedural requirements of the state personnel process, the Committee found that the filling of these legislatively authorized positions will significantly increase the Division's overall efficiency. In addition, because of the decreased use of more expensive private telecommunications contractors, increased staffing within the Telecommunications Division will result in overall savings for many state agencies.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Telecommunications Division and the Bureau of Human Resources treat the classification, recruitment, and hiring process for the newly authorized positions in the Telecommunications Division as a priority. Report on July 1, 1990, to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government and Audit & Program Review on the efforts to fill these positions with a special emphasis on the degree to which middle management positions have been created and filled.

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ADMINISTRATIVE 29.

Revise the telecommunications billing process to promote accountability and improve the ability of agencies to accurately budget for telecommunications services. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review during the compliance review of the Division's efforts to revise the present billing process.

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The Committee found that the present billing process administered by the Telecommunications Division is lacking in accountability. More specifically, the telecommunications bills sent by the Division to state agencies do not identify any purchases that may have been made and generally do not delineate the different cost components for which the agency is being billed. In addition, the Committee noted that agencies are not able to use the present billing process to accurately budget for future telecommunications costs.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Telecommunications Division significantly revise the telecommunications billing process to promote accountability and improve the ability of agencies to accurately budget for telecommunications services. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review during the compliance review on the Division's efforts to revise the present billing process.

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ADMINISTRATIVE 30.

Devise a current business plan by which potential cost centers are identified, and a new set of telecommunication rates can be established. Provide this plan and a new telecommunications rate structure during the compliance review to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government and Audit & Program Review Committee.

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The Telecommunications Division develops the rates charged for certain telecommunications services provided by the Division to state agencies. Currently, all rates must be approved by the Deputy Commissioner and the Commissioner of Administration.

The current set of approved telecommunications rates is based upon a largely outdated cost allocation plan which was developed in early 1987. The Committee noted that many significant changes have taken place since 1987, both within the Telecommunications Division and the larger telecommunications environment. The Committee found that these changes should have a bearing on the rates charged by the Division.

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Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Telecommunications Division devise a current business plan by which potential cost centers are identified, and a new set of telecommunication rates can be established. Provide this plan and a new telecommunications rate structure during the compliance review to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review Committee.

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ADMINISTRATIVE 31. Improve the process by which all state owned telecommunications equipment is accurately recognized as assets and that such equipment is properly depreciated to minimize the impact of future replacement costs. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review by January 1, 1991, on the current dollar figure for Total Fixed Assets and the efforts to depreciate all state owned telecommunications equipment.

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As previously mentioned, according to recent financial statements, the total fixed assets held by the Division are valued at \$943,258.08. The Committee found that this valuation does not adequately assess the value of all state owned telecommunications equipment. The Committee notes that current law [5 MRSA §1886 (2) A (E)] establishes that all state owned telecommunications equipment is the property of the Telecommunications Division.

The Committee found that the total value of all state owned telecommunications equipment certainly exceeds the figure cited in the previous paragraph. The Committee concluded that a great deal of telecommunications equipment is not being assessed as fixed assets and consequently, this equipment is not being depreciated. The Committee further found that, as a result of this failure to properly depreciate equipment, state government will incur unnecessarily large replacement costs when the assets are no longer functional.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Telecommunications Division work to improve the process by which all state owned telecommunications

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equipment is accurately recognized as assets and that such equipment is properly depreciated to minimize the impact of future replacement costs. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review by January 1, 1991, on the current dollar figure for Total Fixed Assets and the efforts to depreciate all state owned telecommunications equipment.

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ADMINISTRATIVE 32. Allow, whenever possible, agencies the option of having telecommunications projects completed on a fixed-cost basis. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review during the compliance review on the frequency by which fixed-cost projects are being used and with what degree of success.

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Currently, the Telecommunications Division provides state agencies with prices for telecommunications projects on a cost estimate basis and will bill an agency for actual time and materials. Agencies do not have the option of entering into a contractual arrangement by which the project is completed on a fixed cost basis. The Committee notes that the preceding statements do not apply to routine installations which are billed on a flat fee basis of \$150 per station installation.

The Committee found that a similar situation existed for the Bureau of Data Processing and recommended that the Bureau allow agencies the option of having projects done on a fixed cost basis. The Committee concluded that projects priced and completed on a fixed-cost basis will promote accountability and efficiency from both perspectives - provider and customer alike.

Upon review, the Committee found that for the same reasons cited in the recommendation regarding fixed-cost pricing for the Bureau of Data Processing, the Telecommunications Division should also allow agencies the option of having projects completed on a fixed-cost basis. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Telecommunications Division allow, whenever possible, agencies the option of having

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contracts completed on a fixed-cost basis. Report to the Joint Standing Committees on Appropriations and Financial Affairs, State and Local Government, and Audit & Program Review during the compliance review on the frequency by which fixed-cost projects are being used and with what degree of success.

ADMINISTRATIVE 33.

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Direct that the Telecommunications Division and the Bureau of Public Improvements work to develop a policy which determines which agency should pay for the often unanticipated costs associated with telecommunications work required during minor renovations. Report to the Joint Standing Committee on Audit & Program Review during the compliance review with a written policy.

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Upon review, the Committee found that the present process by which the Telecommunications Division provides telecommunications services to a new or renovated state facility has several problems. In many cases, the expense of telecommunications installation has not been budgeted for by the agency in question and the Telecommunications Division Internal Service Fund is forced to bear the costs of installation.

The Committee noted that until recently, agencies had experienced difficulty in adequately budgeting for telecommunication construction costs for new buildings, leased space, and major renovations because it was not clearly understood what the requirements and attending costs were likely to be. To some extent, this problem has been alleviated by the provision of new telecommunications specifications published by the Telecommunications Division which are now routinely included as part of the RFP, bid or lease procedures which are administered by the Bureau of Public Improvements.

However, the Committee found that a problem still exists with the unanticipated telecommunications costs associated with minor renovations. The Committee noted that there is not a clear policy as to which agency should bear the costs for telecommunications work done in the course of minor renovations. The Committee found this type of policy would help to resolve future situations which are similar to the ones described above.

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Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Telecommunications Division and the Bureau of Public Improvements work to develop a policy which determines which agency should pay for the often unanticipated costs associated with telecommunications work required during minor renovations. Report to the Joint Standing Committee on Audit & Program Review during the compliance review with a written policy.

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## BUREAU OF PURCHASES

### Purpose and Responsibilities

The Bureau of Purchases is the part of state government which manages the procurement needs of state agencies. As specified in law (5 MRSA §1811), the Bureau of Purchases has the following responsibilities:

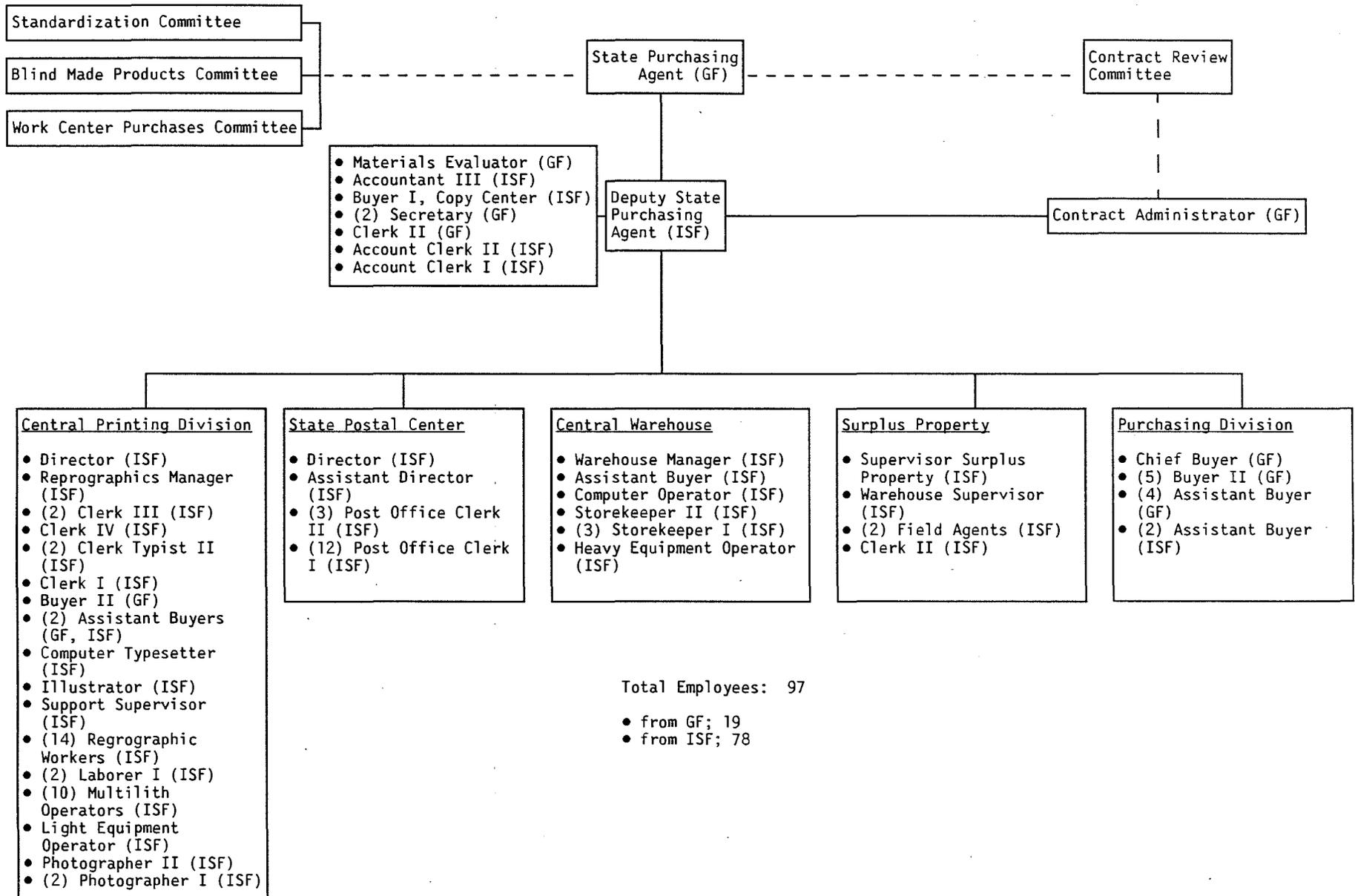
- to **purchase** all services, supplies, materials, and equipment needed by state government;
- to adopt and enforce **specifications** pertaining to commodities and services purchased by state agencies;
- to purchase or contract for **postal services** required by state government;
- to maintain **storerooms** necessary to distribute commodities needed by state government;
- to administer a **surplus property** program within state government;
- to establish and conduct a **central mailing room** for use by state agencies; and
- to allow any **political subdivision or school administrative unit** of the state to make purchases through the Bureau of Purchases.

In addition to these specified responsibilities, the Bureau of Purchases has several other relationships and responsibilities which are mandated from a variety of sources:

- the procurement of special services by state agencies is subject to review and approval by the **Contract Review Committee** which is established by Executive Order of the Governor;
- the **purchase of CFC - containing polystyrene foam products** by state government is limited by Executive Order of the Governor;
- the **use of alternatives to CFC containing products** by state government is established by Executive Order of the Governor;

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- state agencies must establish efforts for **recycling** office paper and must increase their purchase of products with recycled content as established by Executive Order of the Governor;
  - as a result of a Legislative Resolve (1986), state agencies are urged to give first preference to **purchasing commodities made in Maine**, and second preference to goods made in the USA;
  - the State Purchasing Agent must make a biennial report to the Legislature on the **purchase and use of recycled materials** by state government, as mandated by 5 MRSA §1812 (A);
  - the Bureau of Purchases must administer a statutory mandate (5 MRSA §1812B) to have an increasing percentage of the cost of paper and paper product purchases be spent on such items with **recycled content**; culminating in not less than 50% after October 1, 1993;
  - the State Purchasing Agent is an Ex-Officio member of the statutorily mandated (5 MRSA §1814) **Standardization Committee** which is charged with advising the Bureau of Purchases in the formulation of purchasing policies and specifications. In addition, the Standardization Committee must prepare a written evaluation of any contract awarded to anyone other than the lowest responsible bidder;
  - the State Purchasing Agent is a member of the statutorily established (5 MRSA §1822) **Blind-Made Products Committee** which is authorized to facilitate purchasing by state agencies of commodities produced by the Maine Center for the Blind and Visually Impaired; and
  - the State Purchasing Agent is also a member of the **Work Center Purchases Committee** which is statutorily authorized (5 MRSA §1826 (C)) to help guarantee the employment of disabled persons by ensuring that state government will purchase certain products manufactured by approved work centers.

**BUREAU OF PURCHASES  
ORGANIZATIONAL STRUCTURE, POSITION COUNT, AND FUNDING SOURCES**



(GF) = General Fund  
(ISF) = Internal Service Fund

Compiled by Audit Staff  
January 1990

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## History

The Bureau of Purchases was created in 1931 as a part of the newly established Department of Finance, later renamed as the Department of Finance and Administration. In 1986, the Bureau of Purchases was placed within the new Department of Administration.

Most recently, the 1st Regular Session of the 114th Legislature took several actions relating to the Bureau of Purchases:

- first, the Bureau of Purchases was directed to work with the Maine State Archives and the Office of Information Services to review "the appropriate management, retention and disposition of record series established through the use of automated media" (PL 1989, Ch. 235). These agencies were required to make a written report to the Joint Standing Committee on State and Local Government by January 31, 1990; and
- second, Chapter 31 of the 1989 Resolves, directed that the Department of Administration work jointly with state employee unions to establish a review procedure to monitor state services provided by personal service contracts. The Commissioner of Administration was required to submit a written report to the Joint Standing Committees on State and Local Government and Audit & Program Review by March 1, 1990.

### Method of Operation, Organization and Staffing

The Bureau of Purchases is headed by the State Purchasing Agent. By law (5 MRSA §1877 (2)), the State Purchasing Agent is appointed by the Commissioner of Administration. The State Purchasing Agent is assisted by the Deputy State Purchasing Agent who is a confidential employee.

The Bureau of Purchases is organized into 5 major organizational units with a number of separate functions performed by individuals who report directly to the Deputy State Purchasing Agent. This organization is depicted in the accompanying chart and described below:

- Contract Administrator. Administers the contract review/approval process and serves as a contact between state agencies, the Contract Review Committee, and the State Purchasing Agent;

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- Materials Evaluator. Helps to develop product specifications and coordinates materials testing which is conducted at a number of state testing centers such as the Public Health Lab at the Department of Human Services and the Technology Center at the University of Southern Maine;
  - Buyer I, Central Convenience Copiers. Coordinates the use of copying machines leased by private vendor to state agencies;
  - Accountant III. Administers the Bureau of Purchases' financial record keeping process;
  - Administrative Support Staff. Provides bureau-wide secretarial and clerical services. Includes a total of five support staff positions;
  - Central Printing Division. Provides centralized printing and photo lab services for state agencies. Includes a current staffing total of 44 positions, all funded through use of the Bureau's Internal Service Fund;
  - Purchasing Division. Administers open market orders and contract development, release and requisition processes. Currently staffed by a total of 11 employees. Nine of the positions are funded through the General Fund; the other two are from the Bureau's Internal Service Fund;
  - State Postal Center. Administers the inter-office mail system and coordinates state agency use of the U.S. Postal System. This unit is currently staffed by a total of 17 employees and is funded solely by the Bureau's Internal Service Fund;
  - Central Warehouse. Provides storage and distribution of office supplies, dry goods, and certain foods commonly used by state agencies and institutions. This unit is staffed by eight employees and is funded by the Bureau's Internal Service Fund; and
  - Surplus Property. Administers the state and federal surplus programs. This unit is currently staffed by five employees and is funded by the Bureau's Internal Service Fund.

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Several of these larger units and their associated functions are described in greater detail later in this report. In addition, the Committee has developed a number of detailed flow charts which describe the various processes used by the Bureau of Purchases. Copies of these charts can be obtained from the Office of Fiscal and Program Review of the Maine State Legislature.

### Funding and Expenditures

The Bureau of Purchases has two funding sources. Most of the Bureau's funding is derived from the proceeds of a single Internal Service Fund. Distinct functions funded mostly by the Bureau's Internal Service Fund include Central Printing, Photo Lab, Warehouse, Postal Services, and Surplus Property.

Most of the Bureau's upper-level administrative costs are funded by the General Fund. In addition, the General Fund provides funding for the majority of services provided by the Purchasing Division.

The Bureau of Purchases had a total of \$587,380 appropriated from the General Fund for FY 90. Of this total, \$540,013 was for Personal Services, and \$47,367 was for All Other.

The Bureau of Purchases was also allocated a total of \$12,164,400 for FY 90 to be spent from its Internal Service Fund. Personal Services expenses were established at \$1,938,853 and All Other expenses were set at \$10,225,547. The Committee noted that the comparatively large All Other figure represents the total spending activity of many state agencies for services or commodities procured through the Bureau of Purchases.

### Overall Purchasing Process for Commodities

When a state agency needs to purchase a **commodity**, there are several possible purchasing processes. The most appropriate purchasing process is determined by a consideration of certain factors (cost, availability, etc.) pertaining to the particular commodity.

Currently, state agencies are allowed to buy certain commodities costing less than \$1,000 by using an **open market order**. Open market orders can only be used for commodities not currently carried, or contracted for, by the Bureau of Purchases. In addition, open market orders cannot be used to purchase printing services or capital equipment.

The \$1,000 limit represents a significant change which was instituted on 1/1/90. Prior to that date, the dollar limit on open market orders was \$250. The limit was changed as a result of complaints from state agencies that the \$250 limit unnecessarily restricted the number of instances where an agency might have a legitimate need to use an open market order.

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The open market order process is summarized below. This process is relatively simple and requires minimal involvement from the Bureau of Purchases:

- Step 1. Having determined that use of an open market order is justified, the user agency evaluates the commodity and establishes an estimated price;
- Step 2. The user agency is then permitted to contact a likely vendor without going through a competitive bidding process. The agency secures what it considers to be a satisfactory price;
- Step 3. After securing a competitive price, the agency completes an open market order (BP 56). The open market order serves as a purchase order and a copy is forwarded to the vendor;
- Step 4. Upon receipt of an open market order, the vendor fills the order and attaches an invoice for payment;
- Step 5. Upon receipt of the commodity, the agency attaches the vendor invoice to the open market order and forwards it to the Bureau of Accounts and Control for pre-audit and payment. (The Bureau of Purchases eventually receives a financial report from the MFASIS system on all open market order activity); and
- Step 6. Vendor receives payment.

Many commodities costing over \$1,000 represent the first time purchase of that commodity by state government. In those cases, the state agency must go through the **requisition process**.

The requisition process can involve a great number of steps and is different from the open market order process, in that the Bureau of Purchases is responsible for administering many of the procedural steps. The requisition process is summarized below:

- Step 1. Having determined that the commodity costs more than \$1,000 and/or is not currently carried by, or contracted for, by the Bureau of Purchases, the user agency submits a Purchase Requisition form (BP-1A) with written product specifications to the Bureau of Purchases;
- Step 2. Upon receipt of the purchase requisition and written specifications, buyers at the Bureau of Purchases review the documents and conduct a cost analysis;

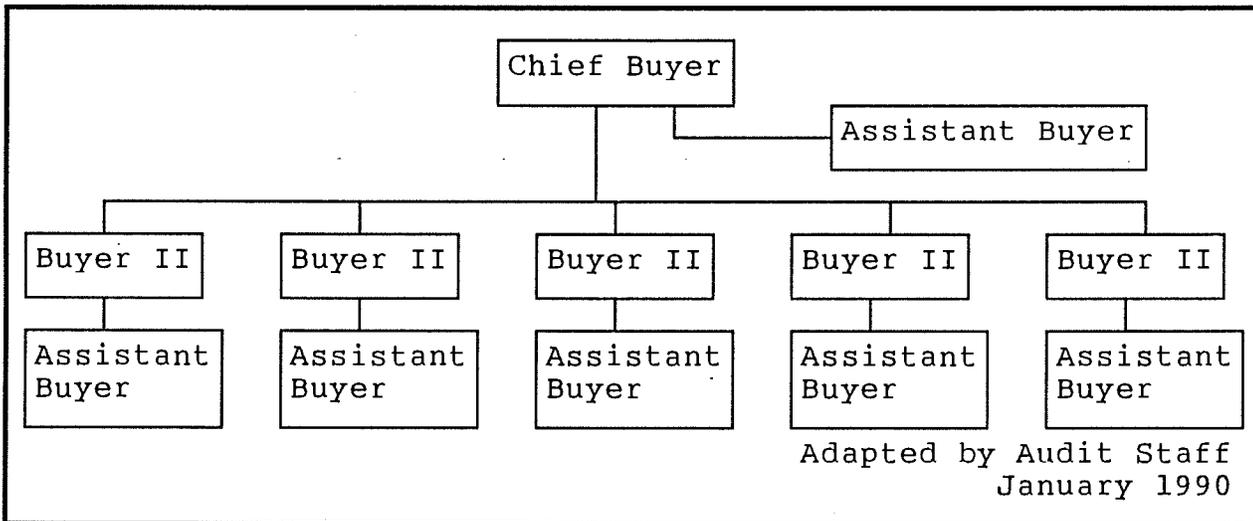
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- Step 3 A. If the commodity costs between \$1,000 and \$10,000, the buyer secures bids through competitive quotations obtained by phone or by letter from three responsible vendors;
  - Step 3 B. If the commodity costs more than \$10,000, the buyer uses a sealed bid process. The buyer sends a Request for Bid form (BP 2-5) to all qualified bidders. Bid results are publicly opened and recorded two weeks after the mailing date;
  - Step 4. Buyer prepares a written report on the process used to make the purchase decision and determines whether the purchase will require a purchase order or a written contract;
  - Step 5 A. If the anticipated purchase is for a specific commodity with a finite total and needs to be purchased immediately, the buyer uses a **Purchase Order** (BP 3-1). Copies of the completed order are forwarded to the Bureau of Accounts and Control and the user agency. Upon receipt of the purchase order, Accounts and Controls encumbers the necessary funds. If the funds are available, the Bureau of Purchases forwards the Purchase Order to the vendor who fills the order, attaches the invoice to the purchase order and returns the two documents to Accounts and Control for payment to the vendor; and
  - Step 5 B. If the commodity will be purchased repeatedly over a period of time, then the Purchase Order is used as a **written contract** by stipulating the terms by which a vendor agrees to sell a particular commodity to the state. Contractual terms for "blanket" commodity purchases specify that the vendor agrees to sell the particular commodity through use of the contract release process which is described in the next section.

Most recently, the Bureau of Purchases has processed an average of 16,800 purchase orders per year. As of late November 1989, the state had a total of 217 separate purchasing contracts with vendors. An average annual total of \$45,000,000 in commodity purchases has been made by state government in recent years.

Once a written contract has been developed and fully executed, then the user agency can use the relatively simple contract release process:

- Step 1. Having determined that a written contract exists for the desired commodity, the user agency completes a Contract Release Form (BP 57) and forwards copies to the vendor, the Bureau of Purchases, and the Bureau of Accounts and Control;
- Step 2. Upon receipt of the Contract Release form (which functions like a purchase order), the vendor fills the order under the terms of the written contract and sends an invoice for payment to the agency;
- Step 3. Upon receipt of the ordered commodity, the user agency attaches the vendor invoice to a copy of the Contract Release form and forwards it to Accounts and Control for pre-audit and payment;
- Step 4. Vendor receives payment.

The Bureau of Purchases administers its purchasing responsibilities through the following organizational unit:



Each of these staff positions has a particular series of commodity types which they deal with on a regular basis. For example, a particular buyer will handle the purchasing of motor vehicles; another will have responsibility for food purchases.

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Buyers administer the purchasing process in accordance with written procedures developed by the Bureau. Within this set of established procedures, buyers have the necessary autonomy to function effectively. However, more expensive purchases require higher approval within the Bureau of Purchases:

- purchases costing more than \$100,000 must be approved by either the State Purchasing Agent or the Deputy State Purchasing Agent;
- purchases costing between \$50,000 and \$100,000 must be approved by the Chief Buyer;
- purchases costing up to \$50,000 can be approved by a Buyer II; and
- purchases costing up to \$1,000 can be approved by an Assistant Buyer.

#### Contract Review Process

The provisions of current law [5 MRSA §1811 (1)], authorizes the Department of Administration, through the Bureau of Purchases, "to purchase all **services** [emphasis added], supplies, materials and equipment required by the state government". Upon review, the Committee found that although most state agencies receive or provide necessary services through the use of state employees, there are situations in which the state does not offer a particular service required by an agency. In those instances, it is often most practical for the state to consider purchasing these services from the private sector.

In recognition of the occasional need for state agencies to contract with the private sector for certain services, former Governor Curtis established, through Executive Order, the Review Committee for Contractual Services. This Committee, established in December of 1969, had the purpose of ensuring that contracts for special services were absolutely necessary and that the approval process was fair and equitable for all involved.

Since its initial establishment, this Committee has been renamed as the Contract Review Committee. The authority, membership, and process of the Contract Review Committee has been modified by a number of Executive Orders issued by recent Governors. Most recently, the current Governor issued Executive Order #12 on May 1, 1989. The contents of this Executive Order are summarized below:

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- The Contract Review Committee has the following members:
    - State Purchasing Agent as Chair;
    - State Budget Officer;
    - State Controller; and
    - Deputy Commissioner of the Office of Information Services (or designee).
  - the Contract Review Committee is authorized to review and approve all special services contracts valued at more than \$25,000 and all single source (services that can be provided by only 1 source) contracts valued at more than \$15,000;
  - contracts other than single source valued between \$15,000 and \$25,000 may be approved by both the State Purchasing Agent and the State Budget Officer or their designees;
  - the State Purchasing Agent is authorized to approve all contracts less than \$15,000 and the following types of contracts valued up to \$25,000:
    - renewals for contracts originally approved by the full Contract Review Committee;
    - certain amendments to existing contracts;
    - medical/dental and related consulting contracts; and
    - contracts with municipalities, regional planning or development agencies for technical assistance grants; and
  - single source contracts are allowed only under the following conditions:
    - service is available only from one source;
    - required service is of such narrow scope that the need can be met only through a single source;
    - service needs are immediate; and
    - service from a single source is considered to be the most economical, effective, and appropriate solution.

Prior to the issuance of this most recent Executive Order, the review/approval process could not be expedited according to the type and value of the contract.

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Currently, the review/approval process uses a Contract Administrator to administer the overall process. The Contract Administrator position was established in 1976.

Description of the Contract Review Process.

The present contract review process is described below. This description assumes that a contract will have gone through every conceivable step in the process:

- Step 1. The agency submits a Requisition for Contract (BP 37R) to the Contract Administrator at the Bureau of Purchases;
- Step 2. The agency develops an RFP with assistance from the Contract Administrator;
- Step 3. The agency submits the proposed RFP to the Contract Administrator. The Contract Administrator logs the RFP and BP 37R into a computerized log, reviews the RFP for technical requirements and, if appropriate and complete, forwards the RFP to the Contract Review Committee for approval;
- Step 4. The RFP is circulated among Contract Review Committee members for approval. The Contract Review Committee rarely meets as a group and relies instead on the circulation method by which individual members indicate their approval or disapproval. If approved, the RFP is routed back to the agency via the Contract Administrator;
- Step 5. The agency conducts public advertising to receive proposals;
- Step 6. The agency receives proposals from private contractors and conducts a public opening of the proposals;
- Step 7. The agency reviews proposals and develops a recommendation for contract award;
- Step 8. The agency submits an award recommendation, supporting justification used in the selection process, and the proposed contract to the Contract Administrator;

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- Step 9. In accordance with Chapter 31 of the 1989 Resolves, contracts of more than \$15,000 are forwarded to employee organizations for review and comment. By prior agreement, employee organizations have two business days in which to comment;
  - Step 10. After completion of the previous step, the Contract Administrator reviews the agency materials for technical requirements. If complete, the materials are forwarded to the Contract Review Committee for review;
  - Step 11. The Contract Review Committee reviews the agency materials. When the review is complete, the materials are returned to the Contract Administrator. If the materials need to be fully executed (signed) or have other technical needs, the documents are returned to the agency for completion;
  - Step 12. The Contract Administrator forwards reviewed and executed contracts to the State Purchasing Agent;
  - Step 13. As Chair of the Contract Review Committee, the State Purchasing Agent signs the contract for final approval purposes and forwards the approved contract to the Bureau of Accounts and Control; and
  - Step 14. Upon receipt of the approved contract at the Bureau of Accounts and Control, the required funds are encumbered from the appropriate agency account.

In FY 89, the Contract Review Committee approved 1,173 special service contracts with a total value of \$36,773,985.

In its effort to survey state administrators about the performance of service agencies within the Department of Administration, the Committee found that the contract review process was singled out for criticism by many individuals. The Chair of the Contract Review Committee acknowledged to the Committee that the contract approval process was unpopular among many state agencies, but claimed that the process had been made significantly more efficient by the following steps:

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- development of a computerized log and tracking system;
  - changes contained in the most recent Executive Order to allow certain contracts to be approved according to type and amount; and
  - most recently, the elimination of required signatures of the agency's Assistant Attorney General when the standard contractual form (BP 54) is used.

To ascertain the validity of this claim, the Committee undertook a comprehensive analysis of contracts processed by the Contract Review Committee over a two year period. The Committee compared the five month span of July 1 to December 1 for FY 89 to the same time period for FY 90. Each entry in the Bureau of Purchases' computerized log was analyzed for the amount of time it took for the contract to move through each step of the process. To summarize a very detailed set of results:

- 533 contracts were entered into the log for the FY 89 time period examined; vs. 431 for FY 90;
- the overwhelming majority of contracts were approved, 95% in FY 89 and 79% in FY 90;
- instead of outright disapproval, inappropriate or unsatisfactory contracts were usually withdrawn or simply not continued in the approval process;
- most significantly, the results show that the process in FY 90 was notably faster than in FY 89:
  - 71% of the contracts approved in the FY 90 time period were completed in a total time span of four weeks or less. This compares to a total of 19% for the FY 89 time period;
  - 5% of the approved FY 90 contracts took between five to eight weeks for completion. This compares to 44% for FY 89; and
  - 1% of the FY 90 contracts took longer than 15 weeks for approval vs. 14% in FY 89;
- significant delays occurred in the process identified earlier as Step 9, in which agency submissions are reviewed for completeness by the Contract Administrator. If appropriate, documents are forwarded to the Contract Review

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Committee for review. If the documents are not appropriate, they are held up (or sent back to the agency) until all requirements are met. It is not clear from the logbook data whether the delay is attributable to the agency or the Contract Administrator. However, the data shows that 92% of the contracts in FY 90 moved through this step in two weeks or less. 31% of the FY 89 contracts took two weeks or less to pass through this step;

- when compared by fiscal year, the performance of the Contract Review Committee has improved. 77% of the contracts in FY 90 were reviewed by the Contract Review Committee in one week or less; this compares to 51% in FY 89;
- the final approval stage, involving the Chair of the Contract Review Committee, referred to earlier as Step 13, is even more efficient. More than 80% of the contracts were approved either on the same day or the next day for both time periods; and
- when compared to others agencies, some agencies appear to have a better record in having their contracts approved.

#### Central Services

As discussed in the preceding pages, the Bureau of Purchases is responsible for administering a number of purchasing procedures. The procedures described heretofore relate to the process(s) used to procure commodities or services from vendors in the private sector. The Bureau of Purchases also provides a number of **central services** by which agencies can procure or receive certain services or commodities.

#### Central Warehouse

The Bureau of Purchases maintains an organizational unit referred to as the **Central Warehouse**. The Central Warehouse distributes commonly needed departmental (office) supplies, dry goods (paper goods, etc.), and foodstuffs required by state institutions with residential populations.

Over 90% of the stock items carried in the warehouse are obtained through commodity contracts. Once a contract for a particular commodity, which is to be distributed by the warehouse, has been developed, then the Central Warehouse will stock that product.

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There are two different processes administered by the Central Warehouse. The first process relates to **departmental supplies and dry goods**. The process by which an agency orders either departmental supplies or dry goods from the Central Warehouse is driven by the use of two different requisition forms. Departmental supplies require a "Requisition for Office Supplies and Postage" (BP 4); dry goods require a "Warehouse Requisition" (CW 1). The Committee found that the use of two different forms corresponds to different "locations" within the warehouse itself, each of which is stocked and distributed by different warehouse staff.

Having received the appropriate form, the Central Warehouse will deliver the ordered commodity either by use of its own vehicles or, for remote agencies, by use of private carrier. After having been filled, the requisitions are entered into the warehouse's computer system to adjust the inventory and to produce an invoice for payment. Invoices are sent to the Bureau of Purchases' central office for agency payment through the journaling process.

The second process for distributing commodities stocked by the Central Warehouse relates to **general groceries**. This procurement process relies on the use of computerized preprints of past food use by state residential institutions. Institutions use these preprints of past food use to help determine their current needs and will indicate on the preprint exactly what their current needs are. Upon receipt of the preprint, the Central Warehouse uses it as a requisition. The rest of the general groceries process resembles that used for departmental supplies/dry goods.

The warehouse's computer system generates a stock status report twice a week. The Central Warehouse tries to keep an adequate supply of commodities on hand by using the status report to generate re-orders. Re-orders are filled by using either the contract release process if it is a contracted commodity or by use of the requisition process.

The Central Warehouse conducts complete physical inventories twice a year. During these inventories, the Central Warehouse closes for a five day period and will only process emergency purchases.

The Central Warehouse currently uses two facilities. The main facility is a state owned building located in the AMHI complex, which functions as the distribution center. In addition, the Central Warehouse leases 7,500 sq. ft. of storage facility space at a rate of \$5.25/sq. ft. for a total annual cost of \$39,375.

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Currently, the Central Warehouse has the following staffing:

- Warehouse Manager;
- Assistant Buyer;
- Computer Operator;
- Storekeeper II;
- (3) Storekeeper I; and
- Heavy Equipment Operator

Costs of administering the Central Warehouse are covered by use of a 12.6% service charge assessed for all purchases. Funding for the Central Warehouse is administered through the Bureau of Purchases' Internal Service Fund.

In FY 89, the Central Warehouse processed \$3,160,911.55 in agency purchases. During that same time period, the Central Warehouse had a total of \$350,558.80 in operating costs. Of that total, \$188,050.60 was for Personal Services and \$162,508.20 for All Other. In FY 89, the Central Warehouse experienced a net loss of \$23,209.84. Upon review, the Committee found that there were several reasons for this loss:

- the Central Warehouse price rate for general groceries was kept static for two years to help institutions with their budgets. It was anticipated that a subsequent increase in volume would take place and make up for the income that would have been received through a rate increase. The expected increase in volume did not occur; and
- the loss also reflects approximately \$14,000 in depreciation costs which should not be regarded as a true cash loss.

#### Central Printing

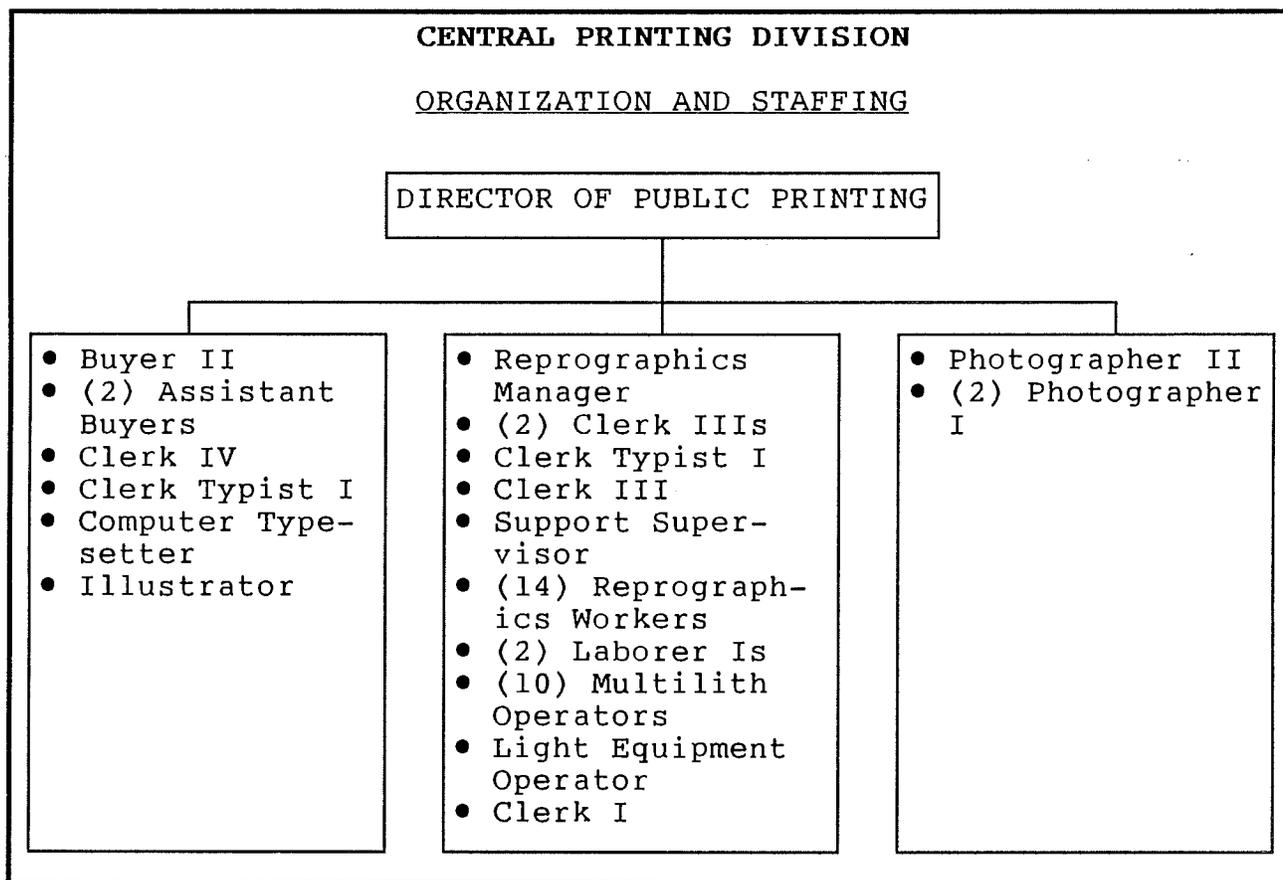
The **Central Printing Division** provides duplicating services for state agencies. The Committee found that approximately 90% of the total printing jobs of state agencies are done by the Central Printing Division. In dollar figures, the Division handles 35% of the total value of state printing jobs. The remaining 65% is contracted to private printing vendors.

The process by which an agency uses the services of the Central Printing Division is simple. An agency submits a "Duplicating Requisition" (BP 53) to the Division where it is used as a requisition and then as an invoice for payment by the agency.

For those printing jobs which either exceed 10,000 copies or have specialized requirements, the Central Printing Division uses commercial printers. To acquire these services on behalf of agencies, the Central Printing Division has its own staff of buyers which administer the purchase order/contractual process. The Committee found that the Central Printing Division processes an average of 400 Purchase Orders per month for commercial printing jobs.

In addition, the Central Printing Division offers the services of the Photo Lab. These services include photography and video production work needed by state agencies. Except for the use of a different form (F-158), the Photo Lab administrative process resembles the process described for printing.

The Central Printing Division has total staffing of 44 positions and is organized in the following manner:



With the exception of the Buyer II position and one of the Assistant Buyer positions, all of the positions within the Central Printing Division are funded through the Bureau of Purchases'

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Internal Service Fund. Agencies are charged for the services provided by the Division through a series of rates depending on the nature of the printing job. For FY 89, the Central Printing Division had operating costs which totalled \$1,463,924.95. Of this figure, \$866,595.07 was for personal services and \$597,329.88 was for All Other.

In FY 89, the Central Printing Division had a total production figure of 72,000,000 pages which represented \$2,000,000 in the cost of goods sold to state agencies. In FY 89, the Central Printing Division made a profit of \$134,763.93 which has been factored into the current year's rate base to lower costs to state agencies.

The Central Printing Division is located in two facilities. Most of the printing equipment and staff is located in leased space on Western Avenue in Augusta. This space is leased at a current cost of \$6.90/sq. ft. The Central Printing Division uses 11,000 sq. ft. at a total annual cost of \$75,906. The Division also has space in the State Office Building which is used as a printing annex for the smaller, more immediate jobs of agencies located in that area.

#### Postal Center

The **Postal Center** provides a variety of postal services to agencies located in the greater Augusta area. These services include:

- pickup and delivery of interdepartmental mail;
- pickup and processing of outgoing mail;
- delivery of incoming mail; and
- folding and envelope stuffing services.

The process used by the Postal Center is relatively straight-forward. Pick-ups and deliveries of interdepartmental and out-going/in-coming mail are made twice daily for most agencies in the Augusta area. The delivery process is initiated by a night crew of two staff positions which sort incoming mail picked up from the U.S. Postal Service. The first mail delivery is made to the larger agencies by 6:45 a.m. of each week day. Throughout the work day, the Postal Center uses three vehicles to make deliveries and pick-ups.

Out-going mail is sorted at the Postal Center into categories which include individual letters, bulk mailings, personal mail, and interdepartmental mail. Mail that needs postage is processed through the Postal Center's metering

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machines. Each transaction is recorded onto a meter postage card (BP - 71). Meter cards are processed through the Bureau of Data Processing. Agencies are subsequently charged for specific postage costs through the journaling process.

The Postal Center purchases postage from the U.S. Postal Service by having meters authorized on a weekly basis for a particular amount of postage. The Postal Center makes a weekly deposit of \$80,000 in the Meter Postage Trust Fund held in the state's name by the U.S. Postal Service. These funds cover most of the state's weekly mailing costs.

The Postal Center is staffed by a total of 16 authorized positions:

- Director;
- Assistant Director;
- (3) Post Office Clerk II; and
- (11) Post Office Clerk I.

All positions are funded through the Bureau of Purchases' Internal Service Fund. Agencies are assessed a 14.3% service charge for outgoing mail service. This charge is designed to cover most of the Postal Center's operating costs, and reflects the costs of processing interdepartmental mail, and other services. A number of services, such as folding and stuffing, are charged to agencies by use of a different set of rates.

In FY 89, the Postal Center processed a total of 13,371,658 pieces of mail at a total cost of \$4,023,035.67. During that same period, the Postal Center was able to save state agencies a total of \$439,143.51 through bulk mailing and presorting services.

The Postal Center had total operating costs of \$547,684.35 for FY 89. Of this total, \$413,028.76 was for Personal Services and \$134,655.59 was for All Other. For FY 89, the Postal Center posted a profit of \$142,979.25. This profit has been factored into the current rate base to lower the cost of services to agencies.

The Postal Center has two facilities. Most of the Postal Center's work takes place at a leased facility. Currently, the Postal Center leases this space at a rate of \$4.67/sq. ft. plus a proportion of maintenance costs and taxes. In total, the Postal Center rents 3,500 sq. ft. at an approximate annual cost of \$16,345. The Postal Center also uses a small space in the State Office Building.

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## Surplus Property

Currently, the Bureau of Purchases administers two **surplus programs**, federal and state, through one organizational unit. Prior to 1987, there were two separate organizational units, each having their own facility and director.

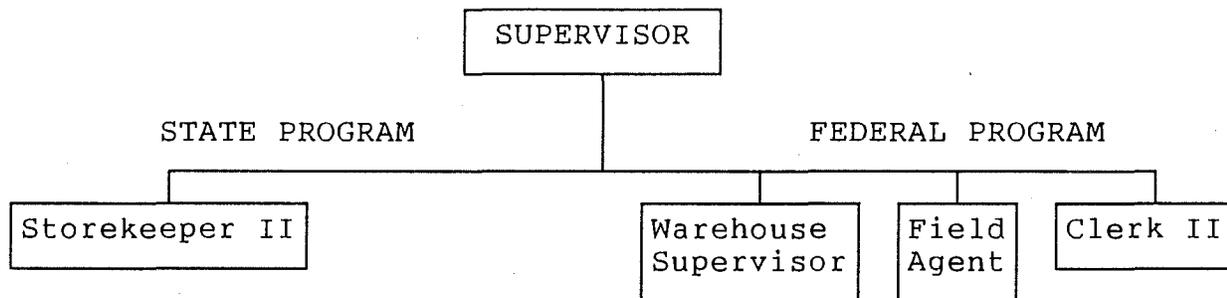
The present surplus programs are designed to be self supporting enterprises which distribute unneeded state and federal equipment at low cost to state agencies, political sub divisions of the state, non-profit institutions and, in some cases, private citizens. Each program is administered according to different mandates and procedures.

The **state surplus program** offers surplus items to state agencies, local agencies, and non-profit organizations. Depending on the nature of the item, unsold state surplus items are offered to the general public through sale, bid or auction. Revenues from the sale of state surplus items are returned to the original funding source with a percentage going to the Surplus Program to cover operating costs. Revenue from surplus items coming from agencies funded by the General Fund are split in the following manner: 50% is returned to the General Fund and 50% goes to Surplus. Revenue from items coming from agencies funded by dedicated funds are returned in an 85% (to agency) and 15% (to surplus) proportion. These proportions are established by the State Purchasing Agent and reviewed periodically.

The state Surplus Program relies heavily on the revenues generated through periodic public auctions. In 1989, total proceeds from 6 public auctions amounted to \$963,737.85. This figure does not represent total revenues to the surplus program; only a small fraction of this total went to the state surplus program for administrative costs, the rest of the funds were returned to the owner agencies.

In contrast, the **federal surplus program** (referred to by the Federal Government as the "State Agency Surplus Program"), focusses on offering surplus items exclusively to state agencies, political subdivisions of the state or non-profit agencies. Each agency must apply to participate and must meet certain criteria. Eligible agencies (donees) are able to select surplus items from published lists. The surplus staff administer this process and often act on behalf of donees in reserving items and in picking up and delivering items. All revenues, referred to as "donation fees", go to the surplus program to cover operating costs.

The overall surplus program is staffed by a total of five positions and is organized as follows:



For FY 1989, the two surplus programs generated a total of \$227,398.46 in service charges. Operating expenses for the program during that time period totalled \$215,607.74. The Surplus Program netted an overall profit of \$11,790.72.

However, upon careful review, the Committee found that for FY 89, the Federal Program experienced a significant deficit of \$48,205.84. This deficit appears to be linked to steadily declining revenues generated by the Federal Program over the last five years:

- FY 85 - \$115,546.57
- FY 86 - \$107,327.63
- FY 87 - \$104,743.60
- FY 88 - \$ 91,014.98
- FY 89 - \$ 74,393.30

The Committee found that the decline in revenues for the federal program reflects the decreasing quality and quantity of available federal surplus items.

As evidenced by the FY 89 financial data shown below for each program, the Committee concluded that the profits generated by the state program have subsidized the federal surplus program:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>Revenues</u>			
Service Charges	\$ 73,179.10	\$154,219.36	\$227,398.46
<u>Expenditures</u>			
Personal Services	82,655.01	58,737.04	141,392.05
All Other	38,729.93	35,485.77	74,215.70
Subtotal	121,384.94	94,222.80	215,607.74
Net Income (Loss)	(48,205.84)	59,996.56	11,790.72

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The Surplus Program uses two separate facilities. The state and federal programs share expenses for a leased facility. 5,000 sq. ft. of space is leased at a rate of \$6.90 per square foot. The total annual cost for this leased space is currently \$34,500.

A great deal of the leased space is used as a warehouse for the federal program. Current federal regulations prohibit the sharing of facility space with any non-federal surplus items. The remainder of the leased space is used as office space for the administration of the federal and state surplus programs.

The state surplus program uses an unheated, poorly maintained barn to store state surplus items. This barn is open on Tuesday mornings for three hours; state and local agencies may view and purchase surplus items at that time.

#### Central Convenience Copiers

The Bureau of Purchases also administers the procurement and service delivery process for copying machines used by state agencies. Each of the copiers used by state agencies are leased through a contractual arrangement with private vendors. The current set of contracts was finalized on January 30, 1990. The Bureau of Purchases has contracted with three different vendors to provide 436 copying machines to agencies in different regions of the state. Depending on the contractual arrangement, the Bureau of Purchases will pay the vendor on a price per copy basis. The Bureau will then bill state agencies for their use of copying machines leased by the Bureau.

The Bureau of Purchases administers the Central Convenience Copier service with one staff position, a Buyer I who reports to the Deputy State Purchasing Agent and works out of the Bureau of Purchases' central office in the State Office Building.

In FY 89, state agencies paid a total of \$1,679,912.04 in copying costs under the provisions of the former contract (\$0.0136 per copy). During that same time period, the Central Convenience Copiers had a total of \$62,749.28 in operating costs. Of that total, there were \$47,890 in Personal Services and \$14,859.28 in All Other. For FY 89, the Central Convenience Copiers service showed a profit of \$69,309.95.

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ADMINISTRATIVE 34.

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Suggest that the composition of the Contract Review Committee be changed by replacing the Deputy Commissioner of the Office of Information Services with the Director of the Bureau of Human Resources.

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The present Contract Review Committee is composed of the State Purchasing Agent as Chair, the State Controller, the State Budget Officer, and the Deputy Commissioner of the Office of Information Services or that individual's designee. Upon review, the Committee found that the Deputy Commissioner has been included as a member to help facilitate the many data processing related contracts that are submitted by state agencies for approval.

After a careful consideration of the Contract Review Committee and its method of operation, the Committee concluded that the Contract Review Committee should continue to make use of subject matter experts, such as the Deputy Commissioner, but that the Committee should not be composed of individuals holding that type of position. Instead, the Committee found that the Contract Review Committee should be made up of individuals holding positions which are typically involved in the broader administrative approval responsibilities presently represented by the other three members of the Contract Review Committee.

The Committee further found that the Director of the Bureau of Human Resources should be named to replace the Deputy Commissioner of the Office of Information Services as a permanent committee member. The Committee suggests that the contract review process will benefit from the Director's knowledge of the current classifications and personnel process. This type of knowledge is essential to the Contract Review Committee when it reviews special service contracts in light of what services might be available within state government.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the composition of the Contract Review Committee be changed by replacing the Deputy Commissioner of the Office of Information Services with the Director of the Bureau of Human Resources.

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ADMINISTRATIVE 35.

Suggest that the members of the Contract Review Committee be allowed to appoint single designees.

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The most recent Executive Order establishing the Contract Review Committee states that the Deputy Commissioner of the Office of Information Services is authorized to use a designee. The Committee noted that this Executive Order does not authorize the other Contract Review Committee members to use designees. Upon review, the Committee found that allowing all members to use specific designees might help to further speed up the circulation of documents among the Contract Review Committee.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the members of the Contract Review Committee be allowed to appoint single designees.

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ADMINISTRATIVE 36.

Direct the Bureau of Purchases to proceed with its revision of the Financial Procedures Manual, particularly as it pertains to special service contracts. Report during the compliance review to the Joint Standing Committee on Audit & Program Review on the status of the revision.

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During its review of the Bureau of Purchases, the Committee found that the current manual of Financial Procedures contains the rules and procedures governing contracts for special services. The Committee noted that the section of the manual pertaining to special service contracts was last revised in 1974 and is almost completely out-of-date.

The Committee concluded that the Bureau of Purchases currently administers the contract review process under a set of unwritten policies and procedures; the specifics of which may not be known by every state agency. As a result, agencies may unknowingly submit contracts that do not adhere to the current unwritten rules and policies. The Committee found that many of these contracts are slowed down in the approval process.

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The Committee also found that the Bureau of Purchases is currently undertaking a complete revision of its portion of the Financial Procedures Manual and that such a revision is essential to a clearly understood and efficient contract review process.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Purchases proceed with its revision of the Financial Procedures Manual, particularly as it pertains to special service contracts. Report during the compliance review to the Joint Standing Committee on Audit & Program Review on the status of the revision.

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ADMINISTRATIVE 37. Require that agencies submit contracts for approval at least two weeks prior to the effective date of the proposed contract.

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ADMINISTRATIVE 38. Revise the standard contract form to state that the contract is in effect only after final approval of the Contract Review Committee.

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During the review of the contract review process, the Committee found that agencies sometimes submit contracts for approval either just before, or after, the effective date of the contract. The Committee noted that, in addition to being illegal, such actions put the contract review process in somewhat of a "fait accompli" stance. Current Maine law contains provisions that require properly approved contracts (5 MRSA §1541 (2)) and prohibit unlawful purchases (5 MRSA §1819).

The Committee also found that, on occasion, the Chair of the Contract Review Committee has approved retroactive contracts with the provision that no retroactive payments will be authorized. After careful review, the Committee found that the present contractual form (BP 54) could be revised to state that the contract is effective only after final approval of the Contract Review Committee. The Committee found that such a change would have several effects:

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- agencies would not be able to pay a contractor for any services rendered prior to final approval by the Contract Review Committee;
  - contractors would not be likely to provide services prior to final approval;
  - agencies (and all concerned) would have more of a stake in acting to ensure that contracts are submitted with adequate time for approval purposes; and
  - this contractual imperative would have the added effect of further speeding up the contract review process.

To improve the overall efficiency of the contract review process and to prevent the occurrence of illegal retroactive special service contracts, the Joint Standing Committee on Audit & Program Review is making two recommendations. First, the Committee is recommending that the Bureau of Purchases require that agencies submit contracts for approval at least two weeks prior to the effective date of the proposed contract. Second, the Committee recommends that the standard contract form be revised to state that the contract is in effect only after final approval of the Contract Review Committee.

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ADMINISTRATIVE 39.

Require that agencies submit fully executed personal services contracts at the beginning of the contract review process.

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The results of the Committee's analysis of the contract review process suggest that fully executed contracts submitted during the initial review process tend to go through the review process much more quickly. The Committee noted that fully executed contracts that meet all technical requirements do not need to be returned to the agency for required signatures, thus avoiding possible delays.

The Committee found that the contract review process could be significantly speeded up if agencies were required to submit fully executed contracts at the beginning of the approval process. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Purchases require that agencies submit fully executed contracts at the beginning of the contract review process.

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ADMINISTRATIVE 40.

Review the contract approval process as it relates to the involvement of agencies and the Contract Administrator and make any necessary improvements.

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Further results of the Committee analysis of the contract review process indicates that there is a degree of relative delay in the steps involving agency handling of returned contracts and the administration of such contracts by the Bureau of Purchases' Contract Administrator. The available data does not indicate exactly which party is responsible for such delays.

The Committee found that, for whatever reason, the contract review process experiences a significant delay in the steps involving the user agency and the Contract Administrator. The Committee further found that the Bureau of Purchases can use this information to help identify and rectify any possible causes for this delay, thereby improving the review and approval of special services contracts.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Purchases further review the contract review process as it relates to the involvement of agencies and the Contract Administrator and make any necessary improvements.

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ADMINISTRATIVE 41.

Work with the Joint Standing Committee on Audit & Program Review to further review the analysis of the contract approval process with the purpose of identifying those agencies which may need assistance in improving their handling of the contract approval process. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the results of this effort.

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The Committee's analysis of the contract review process indicates that some agencies may be doing a much better job than others in the submission and handling of personal service contracts. Due to the time limitations of the review process, the Committee was not able to identify which agencies did better than other agencies in their administration of the contract approval process.

However, the Committee found that the Bureau of Purchases could help to improve the contract review process by further reviewing the Committee's data to ascertain if there are state agencies which need assistance in their responsibilities relative to the contract approval process. The Committee is interested in assisting the Bureau of Purchases in the further review of the available data.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Purchases work with the Committee to further review the analysis of the contract approval process with the purpose of identifying those agencies which may need assistance in improving their handling of the contract approval process. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the results of this effort.

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FINDING

42.

The Joint Standing Committee on Audit & Program Review finds that there is a need for a strengthened appeals process for the awarding of state contracts to private vendors.

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During the Committee's review of the Bureau of Purchases, the Committee reviewed a legislative document entitled "An Act to Create an Appeals Procedure for the State Bidding Process" which is being considered by the Second Regular Session of the 114th Legislature. The Committee found that this legislative proposal was designed to address the following problems:

- inconsistencies with the manner in which agencies administer RFPs during the contract review process; and
- the lack of any written appeals procedure available to vendors in the competitive bidding process.

This piece of proposed legislation addresses these issues  
by:

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- establishing procedural requirements for the RFP process;
  - authorizing a formal appeals process by which aggrieved vendors could appeal most decisions which involved the awarding of state contracts; and
  - requiring the Department of Administration to adopt rules pertaining to overall bidding and appeals process by January 1, 1991.

The Committee found themselves to be in agreement with the basic tenets of this legislative proposal and voted to send a letter to that effect to the Joint Standing Committee on State and Local Government which is the legislative committee of jurisdiction on this matter. To reiterate their stance on this issue, and for the purposes of this report, the Joint Standing Committee on Audit & Program Review issues a finding that there is a need for a strengthened appeals process for the awarding of state contracts to private vendors.

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ADMINISTRATIVE 43.

Direct the Bureau of Purchases to report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the negotiations for a new commodity to be produced by the Maine Center for the Blind and Visually Impaired for purchase by the State of Maine.

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Current law [5 MRSA §1822] establishes the Blind-Made Products Committee which is comprised of:

- State Purchasing Agent;
- Director, Bureau of Rehabilitation; and
- Director, Division for the Blind and Visually Handicapped.

The Blind-Made Products Committee was established in 1985 "to provide an expanded, more constant market for blind-made products and further the State of Maine's policy of encouraging and assisting handicapped citizens to achieve maximum personal independence by engaging in useful and productive activities" (5 MRSA §1821).

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The Blind-Made Products Committee is authorized to determine the price that the state will pay for products made by the Maine Center for the Blind and Visually Impaired. The provisions of current law establish that the state will purchase products made by the Center that meet specifications established by the state. The Blind-Made Products Committee is further authorized to review prices paid by the state in accordance with changing cost factors.

In recent years, the Center has been supplying the state with retractable pens at a cost of \$3.90 per dozen. This price reflects the Center's actual production cost with a cost component for administrative overhead. Upon review, the Committee found that the state purchased \$14,878 worth of pens during calendar year 1989. This figure is down significantly from the CY 1988 total of \$30,850 for two reasons:

- the state placed a very large order in 1988; and
- the Center was unable to fulfill all of the state's needs in 1989 because of difficulties experienced in getting the required parts for pen assembly.

The Committee found that at one point during 1989, the Center was not able to produce the pens needed by the state and the state had to go to another vendor. In doing so, the state was able to purchase the same type of product for a little more than \$1 per dozen. Because of the significant savings represented between this purchase price and the \$3.90 per dozen price arrangement with the Center, the State Purchasing Agent recommended that the Blind-Made Products Committee review the current purchasing agreement.

The Blind-Made Products Committee met in early January of 1990 with representatives from the Maine Center for the Blind and Visually Impaired. As a result of that meeting, it was decided that for the next year, the state would continue to purchase a different type of pen from the Center at a cost of \$2.50 per dozen. The Committee noted that this new arrangement will save the state approximately \$12,000.

During that year's time, the Center will work with the Bureau of Purchases to determine what other products the Center may be able to produce which are needed by the state. The Committee found that this cooperative effort will help to save scarce state funds while at the same time reiterating legislative intent that state government should provide meaningful employment opportunities for visually impaired citizens of the State of Maine.

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Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Purchases report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review on the negotiations for a new commodity to be produced by the Maine Center for the Blind and Visually Impaired for purchase by the State of Maine.

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ADMINISTRATIVE 44. Direct the Work Center Purchases Committee to use its existing statutory authority to issue, where warranted, contracts having a duration of longer than one year.

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ADMINISTRATIVE 45. Direct the State Purchasing Agent to focus on providing, within available resources, needed technical assistance to certified work centers. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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The Work Center Purchases Committee is authorized by current law (5 MRSA §1826 A-C) to further the goal of integrating disabled persons into all aspects of the community by providing an expanded market for products produced by such individuals. The Work Center Purchases Committee is established to provide reliable job opportunities for disabled persons who are employed at a certified work center. By law, a disabled person is defined as an individual with "a physical or mental disability which substantially limits one or more major life activities". A "certified work center" is defined as a rehabilitation center for disabled individuals which meets certain requirements established by either the U.S. Department of Labor or the State Department of Labor.

The Work Center Purchases Committee is authorized to:

- develop a list of products and services needed by state government which could be provided by work centers;

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- conduct a competitive bidding process which allows other vendors to bid if no bids are received from work centers;
  - award contracts (current law does not limit the length of contracts); and
  - administer an appeals procedure.

The Work Center Purchases Committee is comprised of six members, the current members being:

- Chair, State Purchasing Agent;
- Director, Bureau of Rehabilitation;
- Resource Development Manager, Mental Health and Mental Retardation;
- Executive Director, Goodwill Industries of Maine;
- Disabled persons representative; and
- Purchasing Manager, Digital Equipment Corporation.

In FY 89, the Work Center Purchases Committee administered several one-year contracts having a total value of \$55,175. Current services and products approved by the Work Center Purchase Committee include:

- canvas laundry bags;
- safety belts;
- construction/survey stakes;
- grounds maintenance;
- janitorial services;
- pallets and skids; and
- wiping cloths for cleaning.

To gather information about the performance of the Work Center Purchases Committee, the Committee corresponded with the 29 certified Work Centers in the state. Based on the responses received, it appears that there are several shared concerns:

- a number of respondents expressed their frustration at not being able to enter into contracts for a period of longer than a year. Because most of the work centers have very limited resources, they are unable to collect on the investments they make in "tooling-up" for a one-year contract. It appears that a number of work centers do not bid on state contracts because of these factors; and
- certain respondents also identified their need for technical assistance from the Bureau of Purchases with regards to the bidding process.

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Upon review, the Committee found that the authorizing legislation for the Work Center Purchases Committee provides ample latitude for that body to decide to extend the duration of contractual agreements. The Committee also found that within the limitations of current resources, the Bureau of Purchases is willing to focus on providing technical assistance to certified work centers.

Therefore, the Joint Standing Committee on Audit & Program Review makes two recommendations. First, the Committee recommends that the Work Center Purchases Committee use existing statutory authority to issue, where warranted, contracts having a duration of longer than one year. Second, the Committee recommends that the State Purchasing Agent, within available resources, focus on providing needed technical assistance to certified work centers. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review during the compliance review.

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ADMINISTRATIVE 46.

Direct the Bureau of Purchases to review the overall operation of the federal surplus program to reduce operational expenditures and increase efficiency. Report during the compliance review to the Joint Standing Committees on State and Local Government and Audit & Program Review on any subsequent actions and recommendations.

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As mentioned earlier, the Committee found that the Federal Surplus Program, administered by the Bureau of Purchases, operated at a deficit of \$48,205.84 for FY 89. This deficit was covered by the large profit, \$59,996.56, generated by the State Surplus Program during that same time period.

Upon review, the Committee found that the benefits of the federal surplus program are extremely difficult to measure. For example, it is difficult to calculate the savings realized when an eligible agency picks up a significant piece of useable equipment at a very low price. It would have to be determined what the item would cost if new and how that cost would impact on limited agency budgets. This line of reasoning suggests that, when viewed from a statewide perspective, the comparatively small cost of subsidizing this program is worthwhile.

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The Committee found that the following factors are important to the consideration of this issue:

- level of personal service - the federal program currently employs three full time employees, plus a portion of the Director's salary. The three full time positions are as follows:
  - Field agent - travels to pick-up locations, evaluates materials, delivers items to participating agencies and to the warehouse;
  - Warehouse supervisor - administers the warehouse which is open during working hours; and
  - Clerk II - provides clerical support services.
- cost of leased warehouse space - the federal program pays for 1/2 of the \$34,500 annual leasing costs. However, the federal program uses more than 1/2 of the leased space for warehouse and office purposes; and
- possible use of facility at AMHI complex - The Committee found that the Augusta Mental Health Institute has agreed to permanently turn over the so-called "root cellar" building to the state. This building was used as the federal surplus warehouse facility several years ago. The Bureau of Purchases has had the building evaluated and has received an estimate that it would cost approximately \$80,000 to fix structural problems and bring the building up to code requirements.

The Committee has identified several courses of action which could be taken to alleviate the federal program's operating deficit:

- go to a direct pick-up system which would eliminate the warehousing function. This scenario could involve reductions in personnel levels by taking advantage of the impending retirements of several current employees;
- eliminate the expenses associated with warehouse leasing; and

- 
- invest in the "root cellar" renovation, and use it to warehouse state surplus items to generate higher revenues. Such a move would free up the existing space used by the Surplus Program to allow the Postal Center to have more space and be adjacent to Central Printing, thus allowing more efficiency in their often related functions.

At this time, having clearly identified the operating deficit of the federal surplus program, the Committee finds it most appropriate to have the Bureau of Purchases further investigate this issue, with the purpose of developing solutions to eliminate the operating deficit while preserving the program's basic services. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of Purchases review the overall operation of the federal surplus program to reduce operational expenditures and increase efficiency. Report during the compliance review to the Joint Standing Committees on State and Local Government and Audit & Program Review on any subsequent actions and recommendations.

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FINDING

47.

The Joint Standing Committee on Audit & Program Review finds that it may be advantageous for the Special Committee on the New Capitol Area Master Plan to consider a proposed land exchange whereby the state would exchange property with the Augusta Sanitary District. The purpose of this exchange would be to acquire property needed to expand the Central Warehouse facility.

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Upon review, the Committee found that the Bureau of Purchases has been discussing a possible land exchange with the Augusta Sanitary District. This exchange would involve a state-owned barn in serious disrepair for a piece of land owned by the Augusta Sanitary District which is adjacent to the state owned Central Warehouse.

According to the State Purchasing Agent, such an exchange would enable the Central Warehouse to expand and build a needed addition. In turn, the Bureau of Purchases would agree to raze the upper parts of the barn and the Augusta Sanitary District would use the lower portion as a limited storage facility.

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The Committee also found that this proposed exchange was drafted as a legislative document but has never been formerly introduced to the Legislature. The proposal was put on hold in deference to the work of the Master Planner employed by the Special Committee on the New Capitol Area Master Plan. The Special Committee's authorizing legislation establishes a moratorium on the sale or exchange of any state owned land in the Capitol Complex until the master plan has been developed and approved by the Legislature.

The Committee concluded that this proposed property exchange may be desirable, but needs careful scrutiny from the Special Committee of the New Capitol Area Master Plan. Therefore, the Joint Standing Committee on Audit & Program Review finds that it may be advantageous for the Special Committee on the New Capitol Area Master Plan to consider a proposed land exchange whereby the state would exchange property with the Augusta Sanitary District.



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## BUREAU OF STATE EMPLOYEE HEALTH

The Bureau of State Employee Health is the agency within Maine State Government which has the responsibility for planning, developing, and implementing programs which will improve or positively affect the health and safety of state employees. As stated in current law, (5 MRSA §954) the Bureau of State Employee Health has the following responsibilities:

- to work with other state agencies to **establish policy and provide programs** which will minimize the risk of injuries and incidence of illness among state employees;
- to conserve public funds by **minimizing the direct and indirect costs of injury and illness** to state employees;
- to **administer the State Employee Assistance Program**; and
- to **administer a first aid and health service** in the State House complex.

The Employee Assistance Program has a separate statutory mandate (22 MRSA, Chapter 254-A) to conduct assessments and make necessary referrals for state employees whose work performance has been impaired by behavior or medical disorders which include: alcoholism; drug abuse; emotional problems; family disorders; and financial, legal, marital, and other stresses.

### History

The Bureau of State Employee Health was created in 1986 as a part of the newly established Department of Administration. The Bureau was established as a direct consequence of a set of recommendations from the legislatively authorized State Employee Health Promotion Program Commission. That Commission concluded that various employee health services needed to be consolidated and coordinated by a single state agency. Initially, the Commission recommended creation of an Office of Employee Health within the Executive Department. However, it was determined that the new agency would appropriately fit within the Department of Administration as a service provider to other state agencies.

Upon creation of the Bureau of State Employee Health, it was also decided to transfer the Employee Assistance Program and the State Office Building Health Station from the Department of Human Services to the new agency.

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Most recently, the 2nd Regular Session of the 114th Legislature made a change regarding the Bureau's funding status. Up until 1989, the Bureau of State Employee Health had its own Internal Service Fund which was funded by a per employee fee paid by each state agency. The Legislature changed the Internal Service Fund to a dedicated account to:

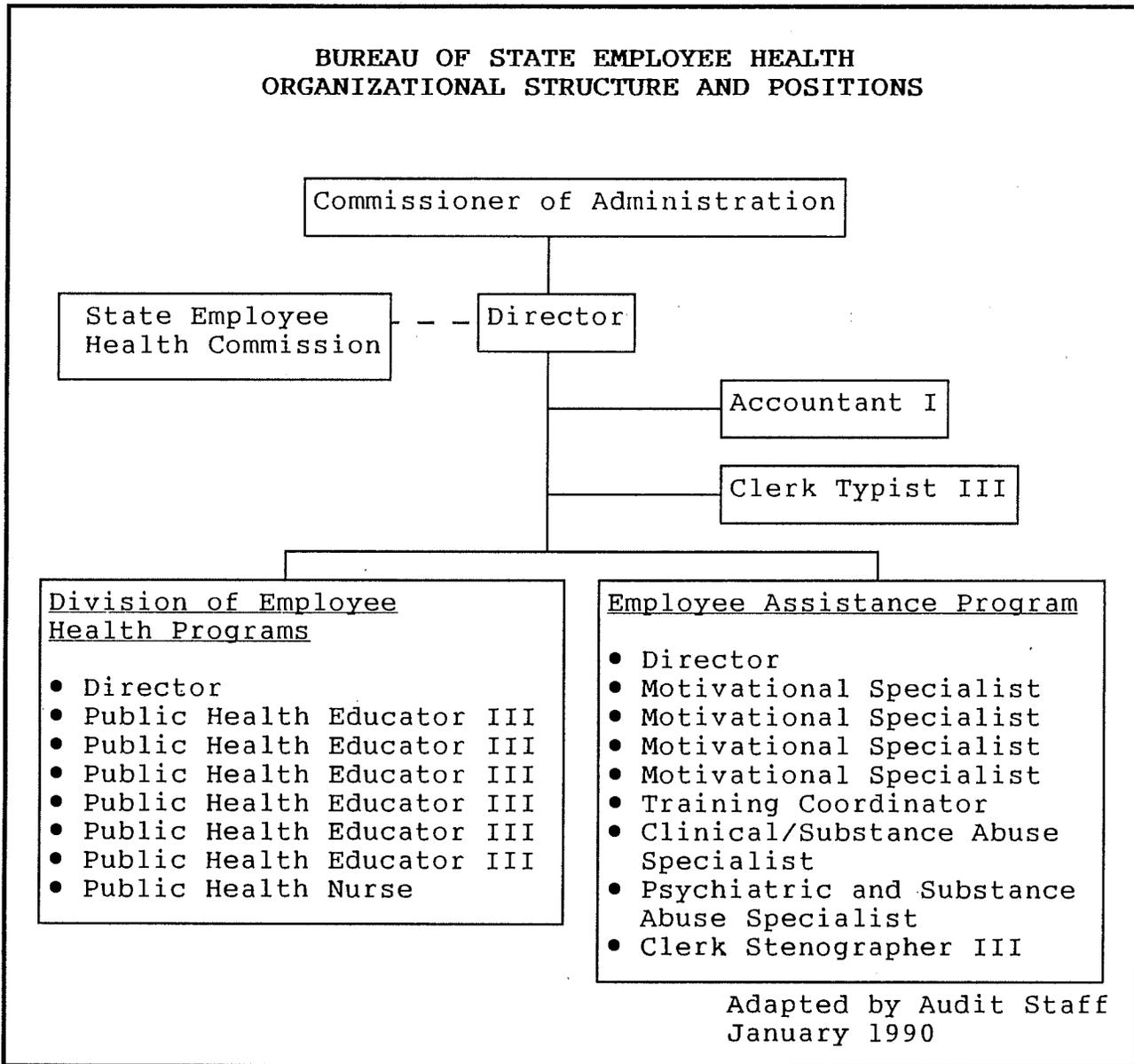
- increase accountability by allocating by line category; dedicated accounts have this feature, internal service funds do not; and
- reflect the true nature of the services provided. Internal Service Funds are to be used only when agencies use the services of another agency on a pay-as-you-go basis. Since the Bureau of State Employee Health is funded on a per-employee basis, it's Internal Service Fund status was found to be inappropriate.

#### Method of Operation, Organization, and Staffing

The Bureau of State Employee Health is headed by a Director. By statute (5 MRSA §285-A), the Director is advised by the State Employee Health Commission on the following: issues concerning employee health and wellness; the Employee Assistance Program; and use of funds collected for the Bureau of State Employee Health. In practice, the State Employee Health Commission has played an active role in determining the priorities and programming offered by the Bureau of State Employee Health.

The Bureau of State Employee Health is divided into two administrative divisions. **The Division of Employee Health Programs** has responsibility for administering the health promotion and risk reduction programs offered by the Bureau. **The Employee Assistance Program** is responsible for administering the referral and assessment services which are available to state employees with personal problems. The overall organization and staffing for the Bureau of State Employee Health is depicted in the following diagram and described in the following sections.

**BUREAU OF STATE EMPLOYEE HEALTH  
ORGANIZATIONAL STRUCTURE AND POSITIONS**



Adapted by Audit Staff  
January 1990

**DIVISION OF EMPLOYEE HEALTH PROGRAMS**

The Division of Employee Health Programs is located at 102 Sewall Street in Augusta. Currently, the Division has eight employees: a Director; six Public Health Educators; and a Public Health Nurse.

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In response to the Bureau's statutory mandate to develop and implement programming to improve the overall health of state employees and to reduce future costs associated with employee injury and illness, the Division has developed the following programs:

- Cholesterol and Blood Pressure Screenings - involves blood testing for cholesterol levels and individual blood pressure readings with basic evaluation and possible recommendations. During FY 89, 6,561 state employees participated in 41 different cities/towns;
- Health Risk Appraisal - a questionnaire designed to assess the overall health of an individual with subsequent analysis. During FY 89, 689 state employees participated in 14 different cities/towns;
- AIDS Education - an educational program designed to increase AIDS awareness among state employees. This program is taught in two ways; as a general awareness course and as a course which is designed for those employees whose profession might put them at special risk. In FY 89, 450 employees participated in eight different cities/towns;
- Weight Management/Nutrition - a ten week educational program designed to help participants lose weight through modification of their behavior and proper nutrition/dietary habits. In FY 89, according to monthly totals which reflect some overlap, 1,816 state employees participated in 12 different cities and towns;
- Smoking Cessation - an educational program which is taught in eight sessions over seven weeks and is designed to help participants stop smoking through behavior modification and coping skills. In FY 89, according to monthly totals which reflect some overlap, 242 state employees participated in 12 different cities/towns;
- Stress Management - an educational program designed to help employees alleviate stress and to successfully cope with stressful situations;

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taught as either a 1/2 day workshop for a general audience or as a full day workshop for a particular work environment. In FY 89, 370 state employees participated in four different cities/towns; and

- Health Information Series - regularly scheduled workshops which cover a variety of health and lifestyle issues.

The Committee found that these programs were initiated by the Bureau through a review of how treatment dollars were being spent by the state employee health insurance program. This review indicated that 20% of the total health insurance costs for state employees were being spent on preventable diseases such as cardio-vascular disease, lung and respiratory disease, diabetes/obesity, and substance abuse.

After identifying what sort of topics should be addressed through Bureau programming, the Bureau of State Employee Health, with the advice of the State Employee Health Commission, selected programs which had broad applicability yet addressed specific disorders. For example, the Bureau's Cholesterol/Blood Pressure screenings are easy to administer, are of some value to the entire population, and establish credibility for the future development of Bureau programs.

Specific courses are developed by conducting research on what state and national programs are currently in use. The Bureau of State Employee Health has used programs developed by other sources and sometimes adapted these programs for use in Maine. In other cases, when necessary, the Bureau has developed its own programs. Each of the programs used by the Bureau are adapted to the needs of a specific audience.

To administer these health oriented programs, the Bureau of State Employee Health has divided the state into five regions:

1. The Southern region serves 3,030 state employees in York and Cumberland counties;
2. The Western region serves 2,200 state employees in Androscoggin, Oxford, Somerset, and Sagadahoc counties (also assists in Capitol region);
3. The Capitol region serves 5,300 state employees in Kennebec County;
4. The Coastal region serves 2,340 state employees in Lincoln, Knox, Waldo, Hancock and Washington counties (also assists in Bangor); and

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5. The Northern region serving 2,760 state employees in Aroostook, Penobscot, and Piscataquis Counties.

The Division has assigned one Public Health Educator III to each region. When fully staffed, these positions are expected to:

- conduct an average of one large scale, day long screening per week;
- conduct an average of two smaller programs/classes per day;
- conduct smaller scale screenings as needed at a particular work site; and
- spend other time in the following activities:
  - developing new course offerings;
  - preparing for scheduled course offerings;
  - evaluating existing courses;
  - conducting limited one-on-one counseling for state employees in programs like weight management or smoking cessation;
  - conducting necessary research; or
  - reading professional literature.

Requests for Bureau programming can be made directly to the Bureau of State Employee Health by agency management or by word-of-mouth from employees within the agency. In some cases, the Bureau has conducted health interest surveys in a localized area such as the Augusta Mental Health Institute complex and then offered courses according to the survey results. However, a long term effort to survey all state employees has not yet been developed.

Once a particular agency or region has expressed a need for a particular course, the Bureau of State Employee Health will establish an agency contact and attempt to determine the number of people interested in participating. The Bureau will usually sponsor an orientation session to generate interest and registration. For a larger scale effort, the Bureau may use mailed announcements.

Most Bureau programs and courses are offered free to state employees at times and locations which are convenient to the greatest number of interested state employees. Two courses, Weight Management (\$45) and Smoking Cessation (\$35), have a tuition cost to state employees. However, upon successful completion of each course, state employees are reimbursed \$30 and \$25 respectively. The reimbursement policy is intended as an incentive. The unrefunded balance is used to pay for course materials.

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Finally, the two other staff positions within the Division of Employee Health Programs are used in the following manner:

- one Public Health Educator III has been assigned full time to the Pineland Project which seeks to reduce the frequency (and associated cost) of workplace injuries; and
- one Public Health Nurse staffs the health station in the State Office building and provides free health care/first aid to state employees.

### **THE EMPLOYEE ASSISTANCE PROGRAM**

The Employee Assistance Program has a statutory mandate to provide assessment and referral services to state employees (and their spouses, dependents, and to retirees) whose work performance has been affected by various behavioral and medical disorders which include: alcoholism and drug abuse; emotional problems; family disorders; and financial, legal, marital or other stresses.

In addition, current law (22 MRSA §1392) spells out the major elements of the Employee Assistance Program:

- assessment interviews;
- referral to appropriate treatment;
- follow-up;
- coordination of benefit package;
- continuous care;
- maintaining confidentiality of client records;
- assessability; and
- education of state employees.

In essence, this list provides a brief description of how the Employee Assistance Program works. Eligible individuals can make a voluntary decision to use the services of the Employee Assistance Program which are free of charge. The Employee Assistance Program provides assessment and referral services to state employees with disorders that impair their job performance. The great majority of Employee Assistance Program services are limited to this assessment and referral service; current Employee Assistance Program staff rarely engage in any sort of protracted counseling arrangements. Instead, the Employee Assistance Program staff helps to identify the disorder that a state employee may be suffering from and connect them to qualified professionals for treatment purposes.

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State employees, or their spouses, dependents and retirees, can be referred to the Employee Assistance Program by an interested party such as the medical community, the employee's union, the employee's supervisor or by employees themselves. All referrals are confidential, and employees are not required to participate in the Employee Assistance Program.

The Employee Assistance Program provides training to management and supervisory personnel to educate them about their role in making Employee Assistance Program referrals; this role does not include any responsibility to diagnose the employee's possible disorder. Supervisors are encouraged to focus upon declining job performance as the sole criterion for possible reference of an employee to the Employee Assistance Program. In addition, supervisors are trained not to use the Employee Assistance Program as a disciplinary procedure.

Employee Assistance Program staff has developed a directory of agencies which provide substance abuse services in the state. This directory serves a convenient means by which troubled employees can be referred to qualified professionals for substance abuse and other disorders.

The Employee Assistance Program is located at 126 Second Street in Hallowell. The Employee Assistance Program has eight authorized positions: a Director; four Motivational Specialists; a Training Coordinator; a Clinical/Substance Abuse Specialist; and a Psychiatric and Substance Abuse Specialist. The last position listed, Psychiatric and Substance Abuse Specialist, though newly created, is currently vacant and, in light of recent budgetary constraints, will remain so for the near future.

To provide service to state employees, the Employee Assistance Program staff responds to troubled employees through extensive travel and personal contact. The Employee Assistance Program provides round-the-clock phone coverage to help meet employee needs as quickly as possible. Employee Assistance Program field staff are on call on a continuous basis and are equipped with message "beepers".

The Employee Assistance Program has assigned most of its staff to particular regions within the state:

- 2 Motivational Specialists are assigned to the Central and Coastal regions which are comprised of Franklin, Kennebec, Lower Somerset, Lower Penobscot, Lower Piscataquis, Knox, Lincoln, and Sagadahoc counties with a total area of 7,879 square miles. This region includes 8,300 state employees;

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- one Substance Abuse Specialist, who also functions in the capacity of Motivational Specialist, is assigned to the Eastern Maine region which is comprised of Hancock, Waldo, and Washington Counties with a total area of 5,216 square miles and 650 state employees;
  - one Motivational Specialist is assigned to the Northern Maine region which is comprised of Aroostook, Upper Penobscot, Upper Somerset, and Upper Piscataquis counties with a total area of 12,569 square miles and 890 state employees; and
  - one Motivational Specialist is assigned to the Southern Maine region which is comprised of York, Androscoggin, Cumberland, and Oxford counties with a total area of 4,531 square miles and 2,744 state employees.

Upon receipt of a referral, Employee Assistance Program staff are required to complete a case intake form which is submitted to the Employee Assistance Program central office and reviewed by the Program Director. Employee Assistance Program field staff are also required to come to the office in Hallowell for a regular bi-weekly staff meeting.

In addition to the field staff, the Employee Assistance Program staff includes:

- a Training Coordinator who works with state agencies on specific issues, needs, and concerns dealing with the work force. This individual conducts training workshops on an as-needed basis; and
- a Clinical/Substance Abuse Specialist who provides expertise in the Employee Assistance Program for the many instances of substance abuse disorders currently experienced by state employees.

A review of Employee Assistance Program activities for FY 89 shows the following:

- most referrals to the Employee Assistance Program are made by the individuals themselves followed by referrals from co-workers or friends, and supervisors;

- the overwhelming majority of primary problems (disorders) identified in Employee Assistance Program participants is substance abuse or drug related, followed by family, marital, financial, and other; and
- the distribution of Employee Assistance Program clients by department corresponds fairly well to Department size; the Departments of Human Services, Transportation, and Mental Health & Mental Retardation had the most participants in descending order.

### Funding and Expenditures

The activities of the Bureau of State Employee Health are funded solely through a per employee fee paid by each agency. This fee, popularly referred to as a "head tax", is calculated by dividing total Bureau of State Employee Health costs by the average total of FTE employees in the executive branch. The current head tax is \$54 per employee.

To increase the accountability of the Bureau of State Employee Health and its expenditures, the Legislature recently changed the Bureau's fund status from that of an Internal Service Fund to a Dedicated Fund. This change has the practical effect of meaning that dedicated funds will now be allocated to the Bureau on a line category basis. Internal service funds are allocated on a "total" basis only and not by line category.

In recent years, the Bureau of State Employee Health has had the following financial history:

	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90*</u>	<u>FY 91*</u>
Total Revenues	\$263,682.99	\$875,037.31	\$693,164.00	\$842,043	NA
Personal Services	113,393.30	403,839.41	559,755	683,927	707,180
All Other	25,221.48	193,405.69	133,409	139,213	143,438
Capital	0	390.00	0	696	0
Total Expenditures	138,614.78	597,635.10	693,164	823,836	850,618
Ending Balance	124,568.21	401,965.42	401,965.42	420,868.42	NA

\* Projected

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### Survey Results

As a part of its effort to gather information about the recent performance of the Bureau of State Employee Health, the Committee surveyed state employees who had taken courses offered by the Bureau and State administrators who interact with the Bureau on a fairly regular basis. The Committee noted that the survey results from both sectors rated the Bureau highly. In particular:

- 97% of the responding employees rated the Bureau's programming as either "excellent" (70%) or "good" (27%);
- 98% of the responding employees would recommend the Bureau's programs to other state employees; and
- 94% of the responding employees said that programs offered by the Bureau of State Employee Health represented a worthwhile use of state funds.

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STATUTORY

48.

Transfer the Employee Assistance Program statutes to Title 5 and update all references to reflect the status of the Employee Assistance Program as a part of the Bureau of State Employee Health.

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Currently, the Employee Assistance Program statutes are located in Title 22, MRSA. The Committee noted that Title 22 is the primary location of the laws for the Department of Human Services. The present statutory location of the Employee Assistance Program statutes in Title 22 reflects the program's former location within the Department of Human Services. When the Employee Assistance Program was transferred to the Bureau of State Employee Health, the only statutory change made was the inclusion of a reference in the Bureau of State Employee Health statutes of its responsibility for administering the Employee Assistance Program with a citation of the Title 22 location.

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The Committee found that the Employee Assistance Program statutes are difficult to locate and do not make reference to the program's current status as a part of the Bureau of State Employee Health. In fact, the current Employee Assistance Program statutes continue to refer to the responsibility of the Department of Human Services to receive funds and oversee the program. The uninformed reader of Title 22 would have no indication that the Employee Assistance Program is now a part of the Bureau of State Employee Health.

The Committee further found that the present statutory location of the Employee Assistance Program statutes is inappropriate and that the current Employee Assistance Program statutes contain misleading organizational information. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Employee Assistance Program statutes be transferred to Title 5 and that all references be updated to reflect the status of the Employee Assistance Program within the Bureau of State Employee Health.

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ADMINISTRATIVE 49.

Direct the State Employee Health Commission, the Bureau of State Employee Health, and the Commissioner of Administration to develop a proposal to clarify the existing financial relationship among the first three entities. Report during the compliance review to the Joint Standing Committees on Appropriations and Financial Affairs and Audit & Program Review.

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During the course of the Committee's 1989 review of the State Employee Health Insurance Program, the State Employee Health Commission, and the current review of the Bureau of State Employee Health, the Committee has noticed a number of instances in which financial activities of the State Employee Health Commission are intermingled with those of the State Employee Health Insurance Program and the Bureau of State Employee Health.

By law, [5 MRSA §285-A (1)] the State Employee Health Commission acts as the trustee for the State Employee Health Insurance Program and as an advisory body for the Bureau of State Employee Health. Because insurance issues are often closely linked, or inseparable, from employee health issues, it has sometimes been difficult to appropriately account for expenditures of the State Employee Health Commission.

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Currently, the State Employee Health Commission has a cost activity center within the Bureau of State Employee Health account, but the Commission does not have its own clearly delineated work program. Upon review, the Committee found that many State Employee Health Commission expenditures require complicated journaling between the accounts of the State Employee Health Insurance Program and the Bureau of State Employee Health.

The Committee found that there needs to be more accountability for the expenditures of the Bureau of State Employee Health, the State Employee Health Insurance Program, and the State Employee Health Commission. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of State Employee Health, the State Employee Health Insurance Program, the State Employee Health Commission, and the Commissioner of Administration develop a proposal to clarify the existing financial relationship among the first three entities. Report during the compliance review to the Joint Standing Committees on Appropriations and Financial Affairs and Audit & Program Review.

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ADMINISTRATIVE 50.

Direct the Bureau of State Employee Health, with the advice of the State Employee Health Commission, to develop plans for a statewide survey to assess the health needs of state employees. Report to the Joint Standing Committees on Audit & Program Review and State and Local Government by September 15, 1990.

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Current Bureau of State Employee Health programming originated from an analysis of which portion of state employee health insurance costs was attributable to preventable diseases. The Bureau then developed programs to address these preventable diseases. The Committee found that this approach to program development has served the Bureau well in its initial stages but does not address the long range planning needs and direction of the Bureau.

The Committee concluded that there is not any long range effort to assess the Bureau's direction and the health needs of state employees. The Committee endorsed the concept of using a statewide survey of state employees to find out about their health needs and thereby providing a long range planning tool for the Bureau.

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Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of State Employee Health, with the advice of the State Employee Health Commission, develop plans for a statewide survey to assess the health needs of state employees. Report to the Joint Standing Committees on Audit & Program Review and State and Local Government by September 15, 1990.

ADMINISTRATIVE 51.

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Direct the Bureau of State Employee Health to pursue the possibility of using the Reed Center for fitness programming after having resolved any questions of legal liability. Report to the Joint Standing Committee on Audit & Program Review by September 15, 1990 on this possibility.

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As a part of its effort to gather information about the performance of the Bureau of State Employee Health, the Committee conducted a survey of state employees who had recently taken courses offered by the Bureau. Many of the respondents indicated their preference for more fitness programming. One survey respondent suggested that the Bureau offer fitness programs at the state owned Reed Center.

The Reed Center is the former athletic facility of the Stevens School complex which is located in Hallowell. Scheduling for use of the Reed Center by various groups is currently being administered by Bureau of Public Improvements.

The Committee noted that previous Bureau of State Employee Health efforts to provide fitness programming have been hampered by a lack of appropriate space. The Committee found that the Reed Center is likely to fill that need at no additional expense to the state. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of State Employee Health pursue the possibility of using the Reed Center for fitness programming after having resolved any questions of legal liability. Report to the Joint Standing Committee on Audit & Program Review by September 15, 1990 on this possibility.

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ADMINISTRATIVE 52.

Direct the Bureau of State Employee Health and the State Employee Health Commission to develop a comprehensive proposal to enable state employees to have leave time to attend Bureau of State Employee Health programs. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review by January 1, 1991 on efforts to expand the existing leave program.

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The Committee found that the Bureau of State Employee Health has developed a pilot project with the Department of Human Services in which Department employees are allowed to use sick leave or accrued vacation time to take Bureau programs. Upon successful completion of the courses, Department employees are fully reimbursed for all leave taken.

Upon review, the Committee found that this pilot project was successful as an incentive to increase the participation of state employees in Bureau programming. The Committee noted that participation of Department of Human Services' employees has declined since the pilot project was instituted in February of 1989 and that some administrative difficulties have been encountered in the prompt reimbursement of leave to employees.

The Committee concluded that the leave reimbursement concept is a useful one and has the desired effect of encouraging more state employees to take Bureau programming. However, the Committee found that this concept should be refined and expanded.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Bureau of State Employee Health and the State Employee Health Commission develop a comprehensive proposal to enable state employees to have leave time to attend Bureau of State Employee Health programs. Report to the Joint Standing Committees on State and Local Government and Audit & Program Review by January 1, 1991 on efforts to expand the existing leave program.

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STATUTORY            53.            Amend current law to specify that the per employee fee used to fund the Bureau of State Employee Health will be assessed to all agencies that have employees who are eligible to participate in the state employee health insurance plan.

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STATUTORY            54.            Amend current law to specify that any eligible agency not paying the per employee fee as of January 1, 1990, shall pay the fee starting in the FY 92 - FY 93 biennium.

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STATUTORY            55.            Authorize the Director of the Bureau of State Employee Health to set per employee fees for agencies outside of the executive branch which are proportional to agency use of Bureau programs.

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STATUTORY            56.            Amend current law to specify that the State Budget Officer shall work with any applicable state agencies to determine the amounts which need to be budgeted to pay the per employee fee.

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Under the provisions of current law, (5 MRSA §956) the Bureau of State Employee Health is funded by a "per employee fee paid by each agency in the same manner as premiums for state employees health insurance." The Committee found that this fee, currently set at \$54, will generate an anticipated \$842,043 for the Bureau in the current fiscal year. At the present time, this fee is collected from all executive branch agencies and several other state agencies such as the Secretary of State and the Department of Audit.

Upon review, the Committee found that a number of state agencies or entities outside of the executive branch have used Bureau services without paying the \$54 per employee annual fees. These entities include:

- the Technical College System;
- the Judicial Branch;
- the Maine Maritime Academy;
- the Maine Turnpike Authority; and
- the Legislature.

The Committee found that if the listed agencies were assessed the current \$54 per employee fee charged to state agencies, the following revenues for the Bureau of State Employee Health would be generated:

<u>AGENCY</u>	<u># OF EMPLOYEES</u>	<u>TOTAL BUREAU REVENUE</u>
Technical College System	647	34,938
Judiciary	365	19,710
MMA	165	8,910
Legislature	185	9,990
Turnpike	350	<u>18,900</u>
TOTAL		\$92,448

The Committee concluded that executive branch agencies are subsidizing the costs of providing Bureau programming for a number of non-executive branch agencies. To remedy this inequitable funding arrangement, the Committee found that all state agencies who have employees that are eligible to participate in the state employee health insurance program should be required to pay the per employee fee which funds the activities of the Bureau of State Employee Health.

Upon review, the Committee found that the unique circumstances of many agencies outside of the executive branch require a more flexible approach to the assessment of per employee fees. The Committee concluded that those state agencies which are not part of the Executive Department should be allowed to negotiate a per employee fee with the Director of State Employee Health. This negotiated fee should reflect, on a proportional basis, the broad programming services from the Bureau that a non-executive branch agency intends to use. For example, the Committee found that due to the contents of an existing collective bargaining agreement, employees of the Maine Turnpike Authority do not have access to the Employee Assistance Program.

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As a result of the Committee's action, the Maine Turnpike Authority would be able to negotiate a per employee assessment fee for all its employees to cover services offered by the Division of Employee Health Programs. In taking this action, the Committee does not intend to allow per employee assessment fees to be negotiated on the basis of the number of agency employees participating in programming offered by the Bureau.

Therefore, the Joint Standing Committee on Audit & Program Review is making four recommendations. First, the Committee is recommending that the per employee fee used to fund the Bureau of State Employee Health will be assessed to all agencies that have employees who are eligible to participate in the state employee health insurance plan. Next, the Committee is recommending that current law be amended to specify that any eligible agency not paying the per employee fee as of January 1, 1990 shall pay the fee starting in the FY 92 - FY 93 biennium. The Committee is also recommending that the Director of the Bureau of State Employee Health be authorized to set per employee fees for agencies outside of the executive branch which are proportional to agency use of Bureau programs. Finally, the Committee is recommending that current law be amended to specify that the State Budget Officer shall work with any applicable state agencies to determine the amounts which need to be budgeted to pay the per employee fee.

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ADMINISTRATIVE 57.

Direct that the Commissioner of Administration undertake a comprehensive review of the mileage reimbursements currently paid to employees of the Employee Assistance Program and report to the Joint Standing Committee on Audit & Program Review by September 15, 1990 with any subsequent recommendations or actions.

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Upon review, the Committee found that the Employee Assistance Program provides services to state employees by dividing the state into four regions and assigning staff members to each region. In view of the fact that the performance of their duties will inevitably take them great distances, the Committee noted that in recent years the Employee Assistance Program has experienced significant travel costs:

	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Total # of field staff (including Director)	4	4.5	6
Total cost for mileage reimbursement	\$34,143.07	\$33,607.44	\$45,451.88 (projected)
Total mileage (cost/ .22¢ per mile reimbursement rate)	155,196	152,761	206,599

The Committee also noted that the provisions of recently enacted state law (5 MRS §7-A (2)E) specify that state vehicles may be assigned to state employees only when it is clearly necessary and that assignment must meet at least one of a number of criteria; one of which states:

"Employees who are officially headquartered at their residences provided the department head determines annually that the assignment is more effective than reimbursement for mileage".

The Committee found that the recent rule-of-thumb used by the Executive Branch to justify vehicle acquisition is that employees driving more than 15,000 miles per year for job-related duties should be provided with a state vehicle. The Committee also found that compact cars for state employee travel are approved by the Bureau of Purchases for purchase at about \$8,000. A rough calculation suggests that given the present mileage figures projected for FY 90, that the purchase of state vehicles might be warranted for 5 of the field staff, including the Director.

However, the Committee expressed concern that Employee Assistance Program mileage reimbursement costs were rising significantly in an era of budgetary cutbacks. The Committee favors a careful review of the current Employee Assistance Program mileage figures by the Commissioner of Administration and then a subsequent consideration of the most cost effective solution.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Commissioner of Administration undertake a comprehensive review of the mileage reimbursements currently paid to employees of the Employee Assistance Program and report to the Joint Standing Committee on Audit & Program Review by September 15, 1990 with any subsequent recommendations or actions.



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## DIVISION OF RISK MANAGEMENT

The Division of Risk Management provides insurance services and advice to state government. More specifically, current law (5 MRSA §§7125-A - 1736) assigns the following responsibilities and duties to the Director of the Division of Risk Management:

- to provide services and advice for **family foster homes and respite care providers**;
- to **acquire and administer all insurance coverages** purchased by the state;
- to establish and promote **safety and other loss prevention programs**;
- to conduct an **annual review** of the entire subject of insurance as it pertains to state property and activities;
- to recommend to the Commissioner **necessary insurance coverages**;
- to provide **necessary liability coverage** either through self-insurance or purchase from private carriers;
- to determine the **values of state owned property** and recommend appropriate insurance coverages;
- to **receive and administer all claims** for personal injury or property damage against the state; and
- to pursue, with the assistance of the Attorney General, all **subrogation (3rd party)** incidents which have resulted in personal injury to state employees or property damage to the state.

### History

The first predecessor of the Division of Risk Management was the Maine Insurance Advisory Board which was created in 1965. The Maine Insurance Advisory Board was composed of five individuals employed in the insurance field. The Board was charged with consolidating the various state insurance coverages into one program.

In 1972, the Legislature authorized the establishment of a self-insurance fund. The self insurance fund functions as the financial vehicle to which state agencies pay premiums for self insurance coverage. The purpose of this fund was to reduce premium costs through the collective advantages of self-insurance which are available to a large organization like state government.

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The Maine Insurance Advisory Board was discontinued in 1983 and replaced by the Division of Risk Management which was placed within the Department of Finance and Administration. The Division of Risk Management was placed within the newly created Department of Administration in 1986.

In recent years, the overall liability responsibilities of the Division of Risk Management have expanded from just property to include coverages for general tort liability (any accident which the state may be responsible for), the 1983 Civil Rights Act, professional liability, punitive damages, discrimination, environmental liability, and foster and respite care providers.

#### Method of Operation, Organization and Staffing

The Division of Risk Management provides self insurance coverages for most liabilities associated with the day-to-day operation of most of state government. Aside from most of the Executive Branch, agencies served by the Division of Risk Management include:

- University of Maine System (boilers, property and bonds only);
- Technical College System;
- Maine Maritime Academy;
- Judiciary;
- Legislature;
- Casco Bay Transit Authority;
- Soil and Water Conservation Districts;
- Maine Veterans' Home; and
- Baxter State Park.

In many instances, the state will self insure itself to a particular financial level, beyond which the state purchases coverage from private insurance carriers. From the perspective of the private carrier, the state has a deductible for those liabilities it chooses to self-insure. For example, in recent years, the state has self-insured itself for property coverage for incidents resulting in up to \$1 million of damage. Beyond that point, the state purchases coverage from a private carrier (Continental Insurance Company) at an annual cost of \$280,000. Rarely does the state incur any claims on this type of catastrophic coverage.

The state purchases other coverages in the same fashion as for property coverage. These purchased lines include:

- bonding (\$50,000 deductible);
- boats (\$100,000 deductible on hull, \$10,000 liability);

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- planes (\$50,000 on hulls, \$10,000 on liability);
  - boilers (\$5,000 deductible);
  - police professional liability (\$1,000 deductible); and
  - general liability (\$1,000 deductible).

Agencies are billed on an annual basis by the Division of Risk Management for the costs of providing the necessary insurance coverages. Premiums collected for self insurance costs are deposited into the Risk Management Fund. Similarly, premiums collected from agencies to cover the cost of purchased policies are paid to the private carrier by the Division of Risk Management.

Insurance coverage and subsequent premium costs are reviewed by the Division on an annual basis. Information regarding agency operations, activities, and properties are collected in various forms by the Division of Risk Management. For example, the Division compiles a comprehensive inventory of all state buildings which details the replacement costs and cash value of each state owned facility. From the results of that inventory, the Division calculates the annual premium that an agency pays for insurance coverage, be it self insurance or purchased insurance from a private carrier.

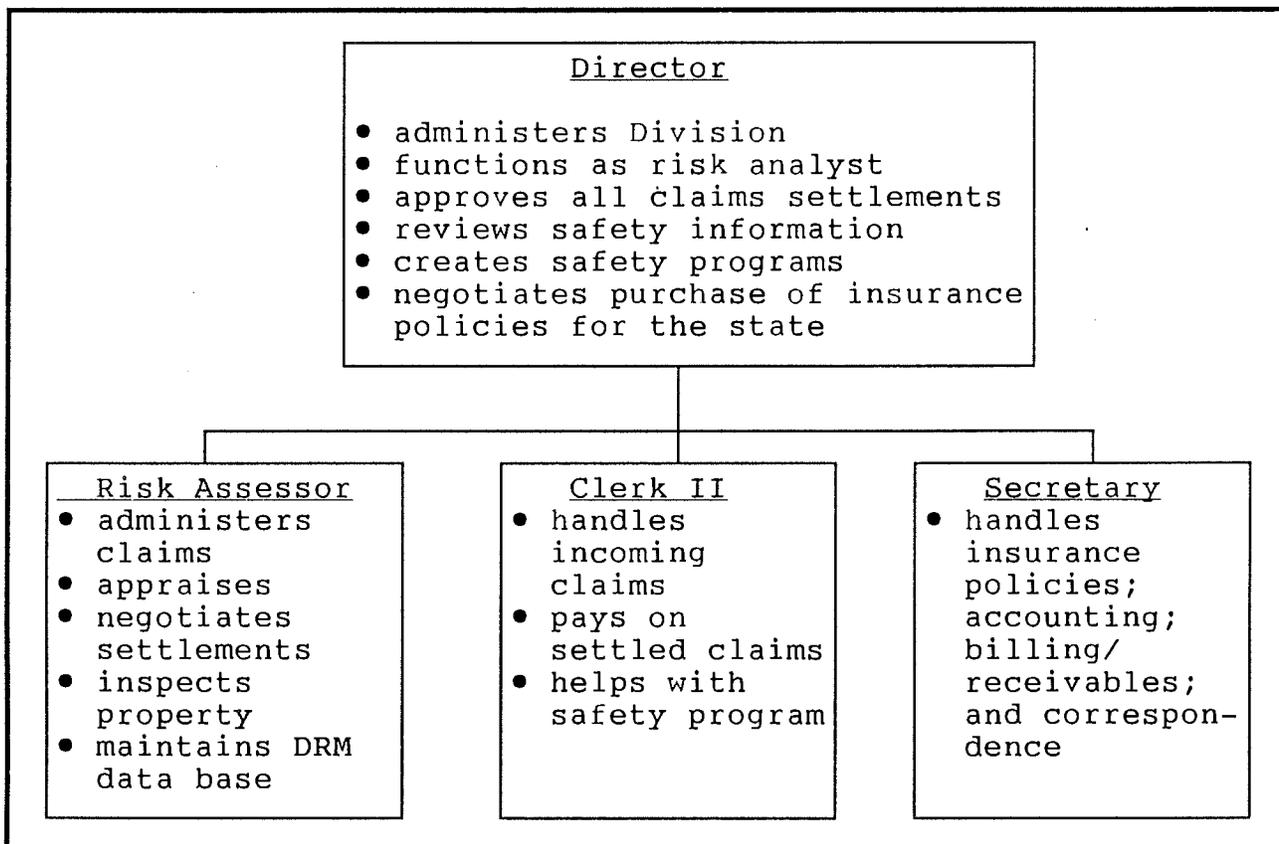
Another large facet of the Division of Risk Management's responsibilities lies in the administration of the claims management process. The Division staff processes all insurance claims made by individuals against the state. The administration of the claims process also involves the efforts to recover subrogation claims, i.e. claims against 3rd parties which have resulted in injury to state employees or damage to state property. Recently, the Division of Risk Management has handled a total of about 1,000 claims per year and recovered \$450,000 in subrogation costs in FY 89.

By law, the Division of Risk Management is authorized to administer loss prevention programs through use of up to 5% of the Risk Management Fund. Most recently, the Division of Risk Management was instrumental in helping to shape an Executive Order from the Governor which established the Interdepartmental Committee on Safety in the Workplace. This Committee, composed of policy level representatives from eight departments, is charged with developing, coordinating, and overseeing risk management and loss prevention programs. In addition, this Executive Order requires each agency to establish a safety and health program.

The Division Director has followed-up this executive order with the issuance of two memos. These memos establish that agencies which have implemented the required safety program can have future insurance costs reduced through frozen insurance rates, elimination of deductibles, and possible rate reductions.

The Division of Risk Management is headed by a Director. By law, the Director is appointed by the Commissioner and serves at the pleasure of the Commissioner.

The Division of Risk Management has a relatively small staff consisting of four positions. These positions, with their primary functions, are depicted in the following organizational chart:



In addition to this staff, the Division of Risk Management has the legal services of one Assistant Attorney General and a clerical support position from the Attorney General's office. These two positions are funded through the Risk Management Fund.

#### Funding and Expenditures

Most insurance coverage for state agencies is provided on a self insurance basis. Premiums collected for self insurance purposes are deposited into a single Risk Management Fund. Claims made against the self insured coverages maintained by the state are paid directly out of this fund. Most recently, for FY 89, the Risk Management Fund had a beginning balance of \$6.5 million.

Upon review, the Committee found that the Risk Management Fund has grown for several reasons which include the normal effects of inflation, the expanded mandates for additional liabilities to be covered, and the income earned from investment of the Risk Management Fund. With regards to the latter point, the State Treasurer manages the Risk Management Fund for investment purposes.

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Currently, the operational costs for the Risk Management Division are borne by the General Fund. For FY 1989, the Risk Management Division had the following expenditures:

• Personal Services	\$139,293.28
• All Other	\$ 38,998.30
• Insurance (for property)	<u>\$100,000.00</u>
	\$278,291.58

However, the Governor's most recent budget submission proposes the transfer of all operational costs from the General Fund to the Risk Management Fund. As evidenced by recent earnings in investment income, the Committee found that the Risk Management Fund can absorb these costs without any adverse effect to the fund's financial stability.

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STATUTORY                    57.                    Authorize one additional position  
for the Division of Risk  
Management.

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The Division of Risk Management has a relatively small staff of four people to administer the various insurance policies and coverages carried by most of state government. Staffing for the Division of Risk Management was increased from three to four positions in 1988 with the addition of a Clerk II position.

During the Committee's efforts to survey state administrators about the performance of the Division, a number of respondents singled out the Division's need for more staff. Similarly, several of the respondents representing private carriers advocated that the Division's staffing should be increased to meet the Division's increasing work load.

The Committee noted that the Division Director strongly maintains that the Division of Risk Management needs an additional position of "Assistant Risk Assessor" to assist the Risk Assessor in administering and settling the approximately 1,000 claims filed each year. The creation of this position would then free up the existing Clerk II position to handle duties more appropriate to that job description. The Committee found that this position could be funded out of the Risk Management Fund in accordance with the Governor's most recent budget proposal which would do the same for the four existing positions in the Division.

Therefore, to increase the overall effectiveness of the Risk Management Division at no additional cost to the General Fund, the Joint Standing Committee on Audit & Program Review recommends that one additional position be authorized for the Division of Risk Management.

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STATUTORY            58.            Amend current law to authorize that deductibles for state insurance policies can be set at 25% of the balance of the Risk Management Fund.

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The provisions of current law [5 MRSA §1731-A] specify that deductibles for state insurance contracts are limited to the amount of \$1,000,000 per loss occurrence.

Upon review, the Committee found that the \$1,000,000 limitation does not currently allow the Division adequate flexibility in negotiating the best insurance coverages for the state. The Committee noted that this figure has been changed upwards over the years, going from \$250,000 to \$500,000 to the present member.

The Committee also found that changing the law to state that deductibles shall not exceed 25% of the fund balance would provide necessary flexibility without threatening the overall financial integrity of the Risk Management Fund. In addition, the Committee noted that such a change would eliminate any need for future legislative action to adjust a specific number figure upward.

Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to authorize that deductibles for state insurance policies can be set at 25% of the balance of the Risk Management Fund.

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STATUTORY            59.            Amend current law to provide needed flexibility in the setting of premiums paid by state agencies for insurance coverage through the Risk Management Fund.

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Upon review, the Committee found that current law [5 MRSA §1773] requires that all premiums charged by the Division of Risk Management must be computed on the basis of rates promulgated by recognized rating agencies.

The Committee found that this law is difficult for the Division of Risk Management to administer because state government has many unique coverage requirements. Many of these coverages are so unique that rating agencies have never promulgated rates for those particular coverages.

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The Committee found that the present rating requirements do not provide the Division of Risk Management with adequate flexibility to set premiums. Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to provide needed flexibility in the setting of premiums paid by state agencies for insurance coverage through the Risk Management Fund.

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STATUTORY	60.	Amend current law to allow payments from the Risk Management Fund for claims costing less than \$250.
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Current law [5 MRSA §1736] prohibits the Division of Risk Management from paying any self-insured loss costing less than \$250. Upon review, the Committee found that there are numerous state insurance coverages which are likely to involve frequent claims costing less than \$250. For example, self-insurance coverage for foster and respite care providers will involve a number of claims costing less than the allowable limit.

The Committee found that the current prohibition on the payment of self-insured loss claims costing less than \$250 is in conflict with mandated coverage for certain activities of Maine State Government. Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to allow payments from the Risk Management Fund for claims costing less than \$250.



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## EDUCATIONAL LEAVE ADVISORY BOARD

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STATUTORY            61.            Continue the Educational Leave Advisory Board for one year under the provisions of the Maine Sunset law.

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ADMINISTRATIVE      62.            Conduct a detailed review of the current adequacy of governing statutes and existing guidelines. Submit a written report concerning the results of this review, and any subsequent recommendations, to the Joint Standing Committees on Audit & Program Review and State and Local Government by October 1, 1990.

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The Educational Leave Advisory Board was established in 1974 to, "...review and authorize all educational leave requests from classified and unclassified state employees for a duration of more than one week." (5 M.R.S.A. §§721 - 727) Current law states that in performing this function, the Board must consult with the Bureau of Human Resources.

By law, the Educational Leave Advisory Board is composed of 5 members: the Director of the Bureau of Human Resources, who serves as Chair, the Commissioner (or designee) of the Department of Educational and Cultural Services, the manager of human resource development within the Bureau of Human Resources, and 2 state employees appointed by the Governor for 3 year terms. Board members are not entitled to compensation for their specific board related duties.

The Board is also responsible for developing rules which establish procedures for employees to apply for educational leaves, approving applications, maintaining an up-to-date register of approved educational leaves, and seeking advice from the involved department head on the merits of a requested educational leave.

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Upon initial review, the Committee found that the topic of educational leave was also being addressed by 2 other entities. The 1987-1989 MSEA contracts stipulate that "the Labor/Management Committee shall also study current educational leave policies and procedures. The Committee shall report its findings to the Policy Review Board..." This Labor/Management Committee has met on a number of occasions and has collected information on the educational leave policies for each state agency. As of March 1990, the Labor/Management Committee has met at least once since December 1988, and is preparing the required report for the Policy Review Board.

The Policy Review Board consists of 9 members and has a statutory mandate to advise the Department of Administration on all issues relating to personnel administration. One of its specific tasks is to "Examine educational leave and training policies and procedures of each department and make recommendations that will further career incentives and employee motivation in each department" (5 MRSA §7042 (3)). According to the current chair of the Policy Review Board, the Policy Review Board has identified the issue of educational leave as a priority and is awaiting the aforementioned report from the Labor/Management Committee. The Policy Review Board has also directed the Bureau of Human Resources' Training Unit to collect data about current agency educational leave policies.

In practice, the Board does not meet as a body. Instead, employee educational leave requests are forwarded to the Bureau of Human Resources' Director. Once received, the applications are reviewed by the Director and a Bureau staff member. After this review, the Bureau of Human Resources' Director will issue a recommendation regarding a specific application and circulate the complete application package to other Board members for their consideration.

In reviewing an application, Board members consider recommendations from the employing agency, terms (length) and conditions (financial compensation) of the proposed leave, likely benefit(s) to employee and employer, usefulness of the educational program to needs of the state, and possible impact of the proposed leave on the agency's program and operational responsibilities.

In recent years, the Board has averaged 23 requests for educational leave per year. In FY 1989, the Educational Leave Advisory Board received 14 proposals and approved 12 of them. The 14 requests came from five agencies with nine requests from the Department of Mental Health and Mental Retardation. The approved requests included five for bachelor degree programs, four for a master's degree program, three for a doctorate degree, and two for associate degree programs. In addition, eight of the approved leaves were for part-time leave with pay, one was for full time leave (three weeks) with full pay, one was for full-time leave at ½ pay, and two were for full-time leave without pay.

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Current law (5 MRSA §725) prohibits the Board from receiving and/or using state funds to administer its responsibilities. Finally, current law also allows the Board to "apply for and accept donations and contributions from any other source to further assist it in carrying out the purposes of this chapter."

As part of the Committee's 1988-89 review of the Department of Administration, the Educational Leave Advisory Board was continued for one year, with a directive from the Committee to conduct a detailed review of the current adequacy of governing statutes and existing guidelines and submit a written report concerning the results of this review, and any subsequent recommendations, to the Joint Standing Committees on Audit & Program Review and State and Local Government by January 1, 1990.

As of March 1990, the Committee finds that no review was conducted and no report submitted to either Committee by the Board. Due to this lack of responsiveness by the Board to the Committee's recommendation and because the information sought by the request is still necessary, the Committee is reissuing its directive, with an amended reporting date of October 1, 1990. In addition, the Committee recommends that the Educational Leave Advisory Board be continued for only one year, pending the Committee's consideration of the results of the Board's review.



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## CAPITOL PLANNING COMMISSION

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STATUTORY	63.	Continue the Capitol Planning Commission for one year, pending completion of the work of the Special Committee on the New Capitol Area Master Plan.
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The Capitol Planning Commission is established in Maine law [5 MRSA, Chapter 14-A] to institute the development of a master plan to guide future State policy in the expansion of the State's physical plant and in the locating of state buildings and other public improvements in the Capitol area; to submit the completed plan to the Legislature for adoption; and to submit amendments as it deems necessary to the Legislature for adoption and inclusion in the official State master plan. The intended policy for development of the Capitol area is to proceed with economy, careful planning, aesthetic consideration, and with due regard to the public interests involved.

The Capitol Planning Commission was originally established in 1967, and recreated in 1973 following a one year hiatus. The Commission consists of the Director of the State Planning Office, a member of the Augusta City Council and 7 members appointed by the Governor representing the Capitol district, the city, and the State. In addition, the Director of the Bureau of Public Improvements serves as secretariat for the Commission.

In 1989, the Legislature created the Special Committee on the New Capitol Area Master Plan to oversee the competition and selection of a master planner for the Capitol area. Four members of the Capitol Planning Commission serve on the Special Committee, including the Chair, who chairs both bodies.

The Committee finds that the work of the Special Committee has superseded that of the Commission and caused the temporary suspension of the activities of the Commission. Therefore, the Committee recommends continuing the Capitol Planning Commission for one year, under the provisions of the Maine Sunset Law, pending completion of the work of the Special Committee on the New Capitol Area Master Plan, whose final report is due on January 15, 1991.

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**MAINE STATE BOARD OF LICENSURE FOR  
ARCHITECTS AND LANDSCAPE ARCHITECTS**

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STATUTORY                    64.                    Amend current law to extend the grandfathering date for the licensing of landscape architects to 1992.

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The Maine State Board of Licensure for Architects and Landscape Architects was initially reviewed by the Audit & Program Review Committee in 1986.

One of the recommendations from that review increased the level of regulation for Landscape Architects. Prior to the Committee's review, Landscape Architects were regulated by "title" only, i.e. a person could not use the title of "Registered Landscape Architect" without meeting the requirements established in law for the Board to administer. However, a person could practice landscape architecture and use the title of "Landscape Architect" without falling under the Board's jurisdiction.

Upon review, the Committee found that the public health and welfare required a more stringent effort to regulate the practice of landscape architecture and recommended that the law be amended to require that any person practicing landscape architecture must meet the statutory requirements for licensure as a Landscape Architect.

As part of the 1986 recommendation to require licensure of Landscape Architects, the Committee included a statutory grandfathering provision which gave unlicensed individuals practicing landscape architecture a grace period until January 1, 1990 to become licensed as Landscape Architects.

After a review of the present grandfathering provision, the Committee found that there are a number of significant unresolved problems. Specifically, there are a relatively large number of individuals practicing professions other than landscape architecture whose practices appear to fall under the rather broad definition of landscape architecture that exists in current law.

The Committee found that its original actions were never intended to prohibit the practice of the many specific professions which are related to some aspects of landscape architecture. In addition, the Committee noted that there are several comprehensive proposals being developed to remedy these problems, but none are yet ready for legislative consideration.

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As an interim solution, the Committee found that the grandfathering provision should be extended for two years. This extension will allow the many professionals not involved in the specific practice of landscape architecture to continue practicing their various professions until this issue is dealt with by a comprehensive statutory solution which is fair and equitable to all involved parties. Therefore, the Joint Standing Committee on Audit & Program Review recommends that current law be amended to extend the grandfathering date for the licensing of landscape architects to 1992.

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**BOARD OF TRUSTEES, UNIVERSITY OF MAINE SYSTEM**

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FINDING                    65.                    The Joint Standing Committee on Audit & Program Review finds that there is a need for the Board of Trustees to develop a written policy regarding the use of discretionary funds by campus presidents.

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As discussed during the Committee's 1988 review of the University of Maine System, individual campuses within the system solicit and receive financial gifts. The overwhelming majority of these gifts are given for a specific purpose and are referred to as **restricted funds**. These private funds may be used only according to the purpose specified by the donee. Most restricted funds received by the University of Maine System are used for a very specific purpose, such as for a scholarship in a particular academic program.

A very small percentage of the financial gifts received by the System do not have any restrictions as to how the funds may be spent. These funds are referred to as **unrestricted income**.

For a number of years, individual campus presidents have used this unrestricted income in so-called "discretionary accounts". According to whatever amount of restricted income has been donated by private sources to a particular campus, campus presidents have been allowed to use these funds for unbudgeted items which are felt to improve the campus's academic or social endeavors, to improve morale or to respond to an unforeseen situation or emergency. Each president has had considerable latitude to spend these funds for the purposes listed above.

All unrestricted funds have been deposited into the President's Discretionary Fund account for a particular campus. Spending from these accounts has been subject to the routine internal and external financial audits which occur for all campuses within the University system.

Upon review of the recent use of discretionary funds by campus presidents within the University System, the Committee had concerns regarding the appropriateness of certain expenditures, the use of certain funds, and the lack of any governing procedures by which such expenditures could be evaluated in the future.

The Committee noted that a recent review by the Attorney General's office of the use of discretionary funds concluded that one fund currently deposited in the University of Maine discretionary account was not an unrestricted gift.

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The Committee found that, upon receipt of the Attorney General's opinion, the University of Maine System took immediate action to remove the fund in question from the University of Maine Discretionary account. In addition, the University of Maine System Chancellor sent a letter to the Legislature which outlined the System's concerns about the use of discretionary funds. The Chancellor stated that in addition to the aforementioned change, the following safeguards have been developed:

- the Chancellor will review all expenditures made from the discretionary accounts as part of the annual assessment of presidential performance, the results of which are reported to the Board of Trustees;
- unrestricted funds may not be spent for personal enrichment of the presidents or their families;
- these funds may not be used to circumvent salary administration;
- these funds may not be used for partisan political contributions; and
- these funds may not be used for any illegal purpose.

Upon review, the Committee found that these proposed steps were necessary and appropriate. The Committee communicated this finding to the Board of Trustees and recommended the adoption of these proposals as formal Board policy. The Committee notes that the Board of Trustees has formally adopted these proposals as system-wide policy. For the purposes of this report and to document the Committee's interest in this issue, the Joint Standing Committee on Audit & Program Review finds that the Board of Trustees should develop a written policy regarding the use of discretionary funds by campus presidents.

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ADMINISTRATIVE 66.

Develop a written policy which identifies a minimum percentage of total expenditures for each campus which should be used for maintenance purposes. Report to the Joint Standing Committees on Appropriations and Financial Affairs and Audit & Program Review in a year's time on any subsequent action taken.

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During the 1987-88 review of the University of Maine System, the Committee took several actions regarding the topic of facility maintenance:

- first, the Committee made an Administrative Recommendation (#22) that each campus begin work towards budgeting for maintenance at a level equal to 1.5% of estimated building value to reduce the eventual cost of needed facility maintenance, renovation, and replacement; and
- second, the Committee issued a Finding (#23) that the practice of deferred maintenance results in harmful and expensive effects.

Upon further review of this topic, the Committee expressed a continuing interest in working to ensure that campus maintenance costs be adequately addressed by formal policy of the Board of Trustees. Therefore, the Joint Standing Committee on Audit & Program Review recommends that the Board of Trustees develop a written policy which identifies a minimum percentage of total expenditures for each campus which should be used for maintenance purposes. Report to the Joint Standing Committees on Appropriations and Financial Affairs and Audit & Program Review in a year's time on any subsequent action taken.