

Georgia

Department of Administrative Services



FY
2010
Annual Report

*Transforming from Transactional
Operations to Strategic Efficiencies*



From surplus warehouses to all virtual operations and a worldwide audience.

State of Georgia



It takes immense creativity, fiscal prudence and determination to persevere during difficult economic times, just as it takes collaboration and shared vision to become a best managed state. In the seven years I have been in office, we have made substantial steps towards achieving these goals.

Georgia has seen tremendous efficiencies across the board, many that are attributable to the work of the Commission for a New Georgia (CNG) and taskforces that tackled issues that have challenged state government for decades. Thanks to their work and other statewide transformation efforts, including that of the Department of Administrative Services (DOAS), I will leave the state in a better place.

Of its five organizational divisions, DOAS overhauled their purchasing, fleet and risk management divisions using CNG oversight, to bring enterprise efficiency to these centralized state operations. Additionally, they went a step further, independently transforming their mail and courier and surplus divisions to more comprehensively align with Georgia's goal to run more like a business. According to the CNG Web site, their various initiatives are credited with cost efficiencies and revenue returns totaling over \$153 million, and DOAS has played a leading role in these efforts to achieve better value for Georgia taxpayers.

As the state continues its progress, we must all continue to do our best to make innovation, service excellence and streamlined management daily practice. Together, we can ensure Georgia reaches best managed status and that our deserving citizens receive quality services that are among the very best.

Sonny Perdue, Governor

Department of Administrative Services

Transforming an organization is an intricate process involving many moving parts: comprehensive and renewed operations, technological improvements, reallocation of various resources, as well as creative and competent manpower to see a strategic new vision through to completion.

In 2005, the Department of Administrative Services (DOAS) embarked on the hefty task of overhauling every division and streamlining operations to align with statewide goals of becoming a best managed state. I am proud to say that we have come a long way towards realizing this goal, with many ground-breaking business innovations and efficiencies that serve the state of Georgia and its citizens in exciting, new ways.

Today, DOAS offers the nation's first all-virtual surplus property division, attracting customers next door, throughout the country and around the globe. Similarly, Risk Management Services' Comprehensive Loss Control Program is also a nation's first that has reduced state claims by more than 18% collectively over the past two years. Meanwhile, quality metrics and creative transportation options remain key to the Office of Fleet Management right-sizing our state's fleet. And finally, State Purchasing continues to provide innovative, award-winning procurement solutions including the highly-anticipated national contracts for school and commuter buses that stand to save local municipalities and school districts millions.

In four years, despite many unexpected challenges and changes, our organization has completely transformed to make important contributions to State of Georgia operations. Resiliency, creativity and service leadership remain our strong suits, as we discard transaction-based interactions to work side-by-side with our customers to bring in a new day. We thank you for your involvement in the process; we are honored by your continued support.



Brad Douglas, Commissioner



Transforming From Transactional Operations to Strategic Efficiencies

Change is the natural organizational response to environmental difficulties and uncertain times. However, successful transformation requires added inspiration and a shared vision of a future unseen, to thwart shadows of trepidation. The prepared organization must be proactive and use lessons of the past to strategize for now and the many steps ahead.

As with any challenge, change can be uncomfortable, but it can also be advantageous. With the right level of planning and creativity, it can produce innovative thoughts, renewed processes, and the calculated risk's best-case scenario: undeniable success and committed employees, charged with a sense of purpose from within.

Simply put, with the right leadership, change is the eternal motivator, pushing an organization to new heights. Belief in this premise feeds our organizational mission, our vision and goals into the future, as well as our continual efforts to be faster, stronger and better than we were before.

STATE PURCHASING DIVISION

Before Georgia's Procurement Transformation, only six percent of the state's spend was under management. Few purchases could be measured that involved a state negotiated contract or discounted product. Tremendous purchasing leverage was not being maximized to lower the state's costs. Knowledge gaps for strategic sourcing were widespread among Georgia purchasers, who executed fractured, siloed procurement functions using antiquated technology and sub-standard contract management processes. Little analysis was used to procure state goods and services, as habits and individual inclination drove contract development.

Sharpened Processes, Streamlined Procurement

In 2005, the State of Georgia turned inwards to overhaul its procurement practices and technology, as well as to invest in its people. Beginning primarily in the State Purchasing Division (SPD), organizational reform and streamlined policies and procedures took center stage, while procurement training began its impact statewide. For the first time in state history, Georgia purchasers received comprehensive purchasing training that is collectively grooming this workforce to rival the nation's best.

State and national economic decline have had a significant impact as well, causing SPD to fine-tune its operational strategy and accelerate transformation efforts. State entities were greeted with increased autonomy and delegated purchasing authorities (DPAs), while SPD intensified purchasing training to meet anticipated procurement needs throughout the enterprise. Although challenging, these immediate changes are proving beneficial for Georgia, as statewide contracts, purchasing training and certification, and procurement smart tools are trailblazing the next chapters of this transformation.

Indicators of True Progress

State Purchasing's SUM (Spend Under Management) Initiative, which is the collective use of Team Georgia Marketplace™ and Spend Management Analytics to unearth statewide contract opportunities, received the National Association of State Procurement Officers' (NASPO's) 2010 George Cronin SILVER Award for Procurement Excellence in August 2010.

For 13 consecutive years, DOAS has received the National Purchasing's Achievement of Excellence in Procurement Award. DOAS is the only government body in the nation to achieve this long running accomplishment.



Statewide Contracts

State Purchasing has always had a foundational goal of creating quality statewide contracts, but it took complete organizational overhaul to perfect its execution. The division combined high-performers in the private sector with the best the State of Georgia had to offer, to significantly raise knowledge levels and skill sets of its procurement staff. The resulting commodity-focused teams allowed members to further specialize and build off each other's strengths, to produce contracts in higher volumes and greater quality, as well as other operational efficiencies.

Backing these structural changes are modifications in procedure, which focus on operational strategy and streamlined statewide contract development. All state procurement activity follows the newly implemented 7-Step Strategic Sourcing Methodology, a process that standardizes the use of metrics, research and fairness to create statewide contracts. Additionally, SPD's internal review team, called the Statewide Contract Review Council, continues to size-up statewide contract opportunities early on, to ensure contract compatibility with DOAS strategic goals and the needs of the state.

Optimized Spend, Increased Service

At any given time, there are more than 80 statewide contracts available for use by Georgia's 160 agencies, colleges and universities, as well as various local and county governments. Statewide contracts aggregate state buying power to drive spend optimization and increased service levels; a few high-profile contracts are featured here:



Office Supplies Contract Makes Things Easy

Contract Supplier: Staples Business Advantage

A contract backed by more than \$500 million in estimated spend, the office supply contract's competitive pricing on now more than 30,000 items has continued to prove useful in conserving state entity bottom lines since its launch in FY2009. This year, the contract offers a wider array of office supplies and more items on the core items list. Included in this feature are discounts of 18-52% on approximately 800 of the State's most commonly used items such as paper, toner and general office supplies.

Discounts Galore with Tire Retreading Contract

Contract Suppliers: Bridgestone Bandag, LLC and Snider Tires, Inc.

According to industry estimates, retreads typically bring discounts of up to three-fourths the cost of a new tire. Now, thanks to the retread tires statewide contract, end users can enjoy additional discounts ranging from 49 – 62% off the retread manufacturer's base list price. Adding to the benefits, 24-hour emergency roadside assistance is included at very competitive rates.



Contract Offers Wide Range of Low-Cost Printing and More

Contract Supplier: RR Donnelley

Touting eight locations, four manufacturing sites and 800 employees in Georgia alone, RR Donnelley is the State of Georgia's printing supplier. At discounts of up to 16% off retail prices, a full range of printing services are being provided through this statewide contract including flat/offset printing, reports/booklets, snap-out and assorted forms, desktop graphics, and scanning.

Your Options Multiply with Multifunctioning Devices Contracts

Contract Suppliers: Canon USA, DocuTeam, Ricoh Americas Corporation, and Xerox Corporation

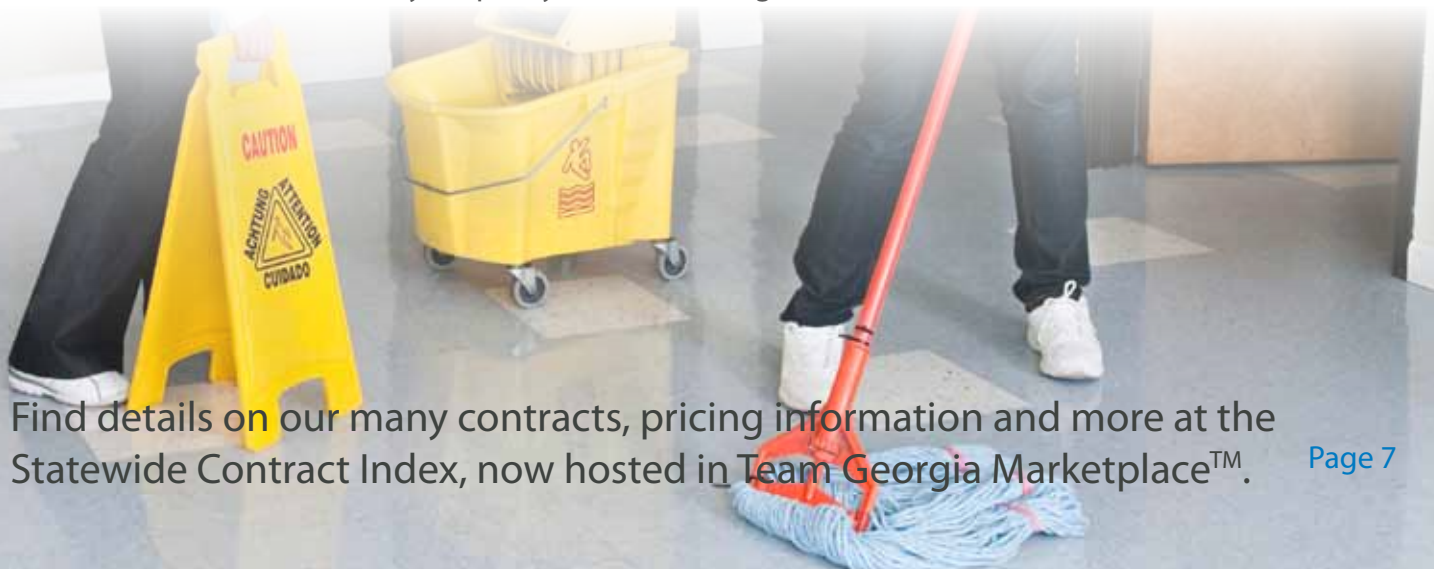
Offering leases and sales of equipment, these contracts also include numerous software options such as important interfaces to, and components of, electronic documents management systems. Key benefits of the contracts include the ability to change equipment as a result of the changing needs of the State as well as the right-sizing assessments provided by suppliers to assist agencies with selection and placement of equipment for optimal productivity and cost savings.



A Must-Have Contract for Quality Facilities Maintenance and Repair

Contract Supplier: HD Supply Solutions

Agencies and universities enjoy deep discounts from 12 – 35% with this quality contract with HD Supply Solutions. As an added bonus, the HD Supply Special Orders team helps them locate special, hard-to-find items. Free delivery, an array of fabrication and installation services, as well as a diversified product category list make this contract a necessity to quality facilities management.



Find details on our many contracts, pricing information and more at the Statewide Contract Index, now hosted in Team Georgia Marketplace™.

Professional Training And Certification

Purchasing Training Program

A novelty in the public sector, purchasing training has a foundational role in the State of Georgia. Procurement training is central to all State of Georgia purchasers learning the industry standards and best practices to move the needle forward in the transformation. To date, nearly 20,000 attendees (purchasers and suppliers) and counting have experienced the blended learning techniques of Georgia's award-winning training program.

Initially consisting of only two introductory classes, the training program quickly expanded to 40 comprehensive purchasing courses designed to reinforce consistency in the purchasing process and drive excellence in procurement throughout the state. The program led to SPD's finalist standing for the prestigious Gene Richter Award for Leadership and Innovation in Supply Management from the Institute for Supply Management (ISM) in 2010.

Transformation Efforts Accelerated

Effective July 1, 2010, SPD granted new upper limits of delegated purchasing authority (\$250,000 for RFPs and unlimited dollar delegation for RFQs) to state agencies and universities that required all State of Georgia purchasers to become certified through the state certification program.



Purchasing Certification Program

Originating out of an effort to formalize, quantify and promote purchasing excellence among Georgia's procurement officers, the Purchasing Certification Program is the natural progression of the state's training program. To achieve each of the four established designations (Basic, RFP, Purchasing Card and Team Georgia Marketplace™), Georgia purchasers must complete a series of courses and examinations. Certification gives employees an opportunity to demonstrate competencies, while agencies validate staff purchasing skills and performance—thereby constituting the proverbial win-win.

"State certification is an important feat with a definite impact on Georgia" says Dr. Mirna Barker, SPD chief learning officer. "People are seeing the value in the training and certification and they want to pursue it. By bettering themselves they stand to better their work, which can only help to improve the caliber of work done by the State. It's a domino effect."

*Dr. Mirna Barker,
DOAS Chief Learning Officer*



“We transformed state purchasing by hiring great people, implementing sound processes, and using innovative technology. The results include statewide contracts that deliver best value.” Brad Douglas, Commissioner

Every member of the SPD team has successfully completed the necessary course work and examination for the Georgia Certified Purchasing Associate certification including the Infrastructure Team.



L-R: Aziz Tashbulatov, Willie Moon, Darryl Mitchell, Debra White, Billy Gilbert

“We are committed to providing the highest quality procurement opportunities possible to our constituents. In order to exceed the needs of our public, each member of our sourcing team has to be highly trained, committed, and motivated.”

Darryl Mitchell, Group Category Manager



Procurement Smart Tools

Team Georgia Marketplace™

Since January 2009, this modern electronic procurement system has been launched throughout the state, to streamline purchasing and reduce errors and administrative costs. The tool helps agencies maximize purchasing leverage by providing easy access to all State of Georgia contracts, with user-friendly features that drive contract compliance and intelligent spending.

Currently, there are more than 3,200 state users of Team Georgia Marketplace™ and as many as 19,000 state suppliers. To date, 12 agencies have transitioned to the system, generating more than \$1.6 billion of state spend. These totals are expected to substantially increase with the transition of 10 more state entities in FY2011. The ongoing success of the Team Georgia Marketplace™ initiative suggests that DOAS is well on course to managing 80% of Georgia's estimated \$3.5 billion in addressable spend by FY2012.

Team Georgia Marketplace™: A Step in the Right Direction

Although technically a new user of Team Georgia Marketplace™, the sheer size and complexity of the Georgia Department of Transportation (GDOT) prompted a year's worth of preliminary work with DOAS before their official May 2010 go-live. System implementation for GDOT presented unique challenges given that the organization already had "multiple working, robust systems and one of the best purchasing card (P-Card) programs out there." Nevertheless, GDOT saw transitioning to Team Georgia Marketplace™ as an opportunity to benefit from various PeopleSoft enhancements, address any system redundancies and play a part in "ironing out system details before it was a state product that couldn't be easily customized."

Now on the other side of the implementation, GDOT is producing tremendous volume in the system while tracking benefits along the way. For example, GDOT saw an immediate return from Team Georgia Marketplace™ system accommodations, which allowed the agency to eliminate a module of a P-Card related system and avoid approximately \$90K in annual operational and system maintenance costs. GDOT Chief Acquisition Officer Richard Sawyer is supportive of the initiative saying, "Gina Tiedemann and the entire SPD team has been very flexible, understanding that we had a very large ship to turn. They went the extra mile to ensure our needs were met. With Team Georgia Marketplace™, we hope to deliver more efficiency. It is still early, but the system appears to be a step in the right direction."



We had a very large ship to turn. They went the extra mile to ensure our needs were met.

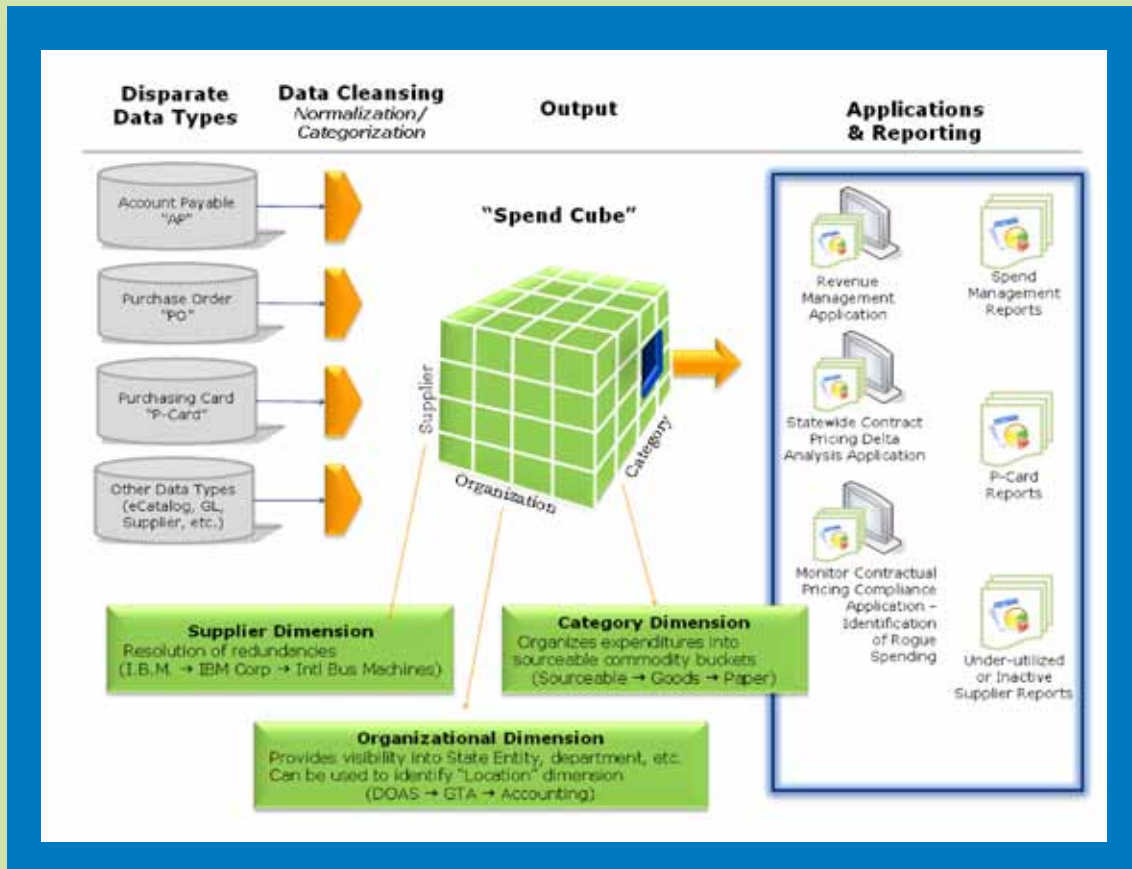


Richard Sawyer, Chief Acquisition Officer
Georgia Department of Transportation



Spend Management Analytics

As the first statistical system fully equipped to examine the purchases of Georgia's 86 agencies and 35 academic institutions, Spend Management Analytics helps the state identify maverick spending and statewide contract opportunities. The spend cube combines data typically tracked by three disparate accounting systems and analyzes the data from virtually every imaginable angle—buyer, supplier, category or cost. Thanks to this transformational tool, the State of Georgia reaps the financial benefits of having more than \$3.5 billion in spend under management.



Spend Management Analytics translates disparate spend data into specialized tables with the functionalities to create comprehensive reports reflecting the state's total spend.

eSource

State Purchasing has found yet another way to enhance Georgia's electronic sourcing tool for posting requests for quotes (RFQs), formally known as eQuote. Once a simple solicitation tool, the award-winning tool matured into the robust, time-cutting and money-saving electronic quote system it is today. With the current upgrade, the tool will expand its capabilities beyond its current use with RFQs. Starting in FY2011, eSource will be available for use with RFIs (requests for information), RFQCs (requests for qualified contractors), and RFPs (requests for proposals), in addition to RFQs (requests for quotes).

Request for Proposal Preparation Tools

The days of lengthy processing times, rejections caused by inconsistent standards, poor quality requests for proposals (RFPs) and miscommunication between end users and buyers are over—thanks to SPD's RFP Preparation Wizard and Scorecard tools. The Microsoft Excel-based tools alleviate the difficulty in creating quality, standardized RFPs for agency purchasers. This efficiency and convenience assists state entities with conducting more of their own procurements, allowing SPD to focus more on statewide contracts.



Angela Reynolds and Gary Thomason
Gwinnett County Public Schools

"The P-Card is easy, safe, secure and cost efficient."

Purchasing Card Program

Its ability to procure faster, safer and less expensively than traditional forms of payment makes Georgia's Purchasing Card (P-Card) a preferred payment method for all official purchases. The P-Card is simply a Visa card issued by Bank of America and administered by DOAS, but the additional value it brings makes it an efficiency tool for state entities.

"We use the P-Card and promote it as a primary means for small business purchases (under \$200). We recognize that using the card is more economical for small expenditures because on average, from start to finish, the traditional purchase order process costs approximately \$200 per transaction. The P-Card is easy, safe, secure, and cost efficient. Gwinnett County Public Schools was one of the first organizations to sign onto the program.

One of the benefits we appreciate most about using the P-Card is the rebate. The purchasing card rebates pay for four employees' salaries and fund some continuous education projects for the business and finance divisions."

Gary W. Thomason, Director of Purchasing
Gwinnett County Public Schools

With use of the P-Card, state and local entities save an average of \$70 per transaction and shave 12.3 days off cycle time while enjoying the added benefits of less administrative costs, increased cash flow and better transaction oversight. Additionally, sound policies, system safeguards and Visa's liability protection give the P-Card transparency, making it the **safest** and **most secure** method of payment for the State.

OFFICE OF FLEET MANAGEMENT

Total decentralization of the state's fleet operations left incomplete pictures of the total cost of ownership and usage of state vehicles. The state did not know how many vehicles it owned because its fleet was too large, replete with unreliable older vehicles and operating without a strategic approach to utilization. Economic downturn and statewide budget cuts did not help the matter as many agencies were doing whatever they could to accomplish their missions: overusing short term rentals and exhausting employee reimbursements for personal vehicle use. Bottom line: the state was hemorrhaging tens of thousands of dollars per year, maintaining vehicles past their useful life and employing expensive alternatives to ownership, just to keep operations afloat.

Overcoming Statewide Neglect with Quality Fleet Management

In 2009, the Office of Fleet Management (OFM) developed a strategic plan to gain greater control over state fleet costs, improve operational efficiency, and combat many years of fleet mismanagement throughout the state. Several objectives focused on creating efficiency tools, promoting better fleet management, and enhancing customer service.

Installing VITAL (Vehicle Information Tracking and Logistics)

Today, OFM uses this fleet management system to capture and monitor vehicle related transactions and utilization. With one tool, the state determines how many vehicles are in each agency's inventory and how the assets are being used. VITAL provides total cost of ownership reports and facilitates statewide comparisons on vehicle costs, age and uses. Refinement of processes and oversight in the last few years has improved the accuracy of information in the system, thereby increasing the effectiveness of fleet metrics.

Wright Express Fuel Card Program

Allowing fuel purchases at more than 7,000 locations in Georgia and 170,000 locations throughout the United States, the Wright Express (WEX) Card Program is more than a fuel card. The program also provides an information system to support the management and accountability of motor vehicle and fleet operations, a system capable of tracking expenditures for fuel purchases, emergency services, minor repairs, and other daily operational costs. Deductions of up to 25 cents per gallon in federal and local taxes for gasoline purchases is also an appreciated perk with the fluctuations in gas prices today.

Enterprise Lease and We-Car Program

Filling transportation gaps, both temporary and long term, Enterprise offers a full range of rental and leasing programs for state agencies from sub compacts to vans. For short term needs, rental vehicles are available across the state and throughout the nation through a partnership with National Rental. Responding to the need for cost-effective solution, Enterprise is also developing the We-Car program where vehicles are staged in locations for multiple state agencies, who then can share vehicles needed for local travel.

Automotive Resources International, Inc.

Keeping track of vehicle maintenance is a full time job made easier with Automotive Resources International, Inc. (ARI), the state's vendor for the vehicle maintenance management program. Providing ASCE-certified experts, a network of reputable repair shops, and streamlined billing, ARI helps agencies fill in the gaps and have a mechanic on-call to manage all aspects of vehicle maintenance. The program also offers cost-effective roadside assistance at a per-incident flat rate and a 24/7 call center to help whenever and wherever assistance is needed.

Local Government Partnerships Deliver Efficiencies Throughout The State

As transformation efforts wind down in the State of Georgia, new endeavors begin. Multi-level public sector partnerships create opportunity to share operational efficiencies and innovations throughout Georgia. A cross section of DOAS business solutions enjoyed by county and local governments include:

Local Schools Preserve a Piece of History, Thanks to Surplus Property

Working as a federal government agent for eligible donees to acquire federal excess property or State Agency for Surplus Property (SASP), the Surplus Property Division is assisting Georgia public schools with acquiring space shuttle artifacts from the recently decommissioned National Aeronautics and Space Administration (NASA) Space Shuttle program. Additionally, in FY2010, Surplus helped local governments and eligible nonprofit agencies stretch budget dollars through acquisitions from 336 federal and 259 state transactions, with savings totaling more than \$8.4 million.



Acquired by the Tellus Northwest Science Museum in Cartersville, the model will be enjoyed by thousands of students each year.

State Purchasing Division is Breaking New Ground with National Bus Contracts

The State Purchasing Division is in the final stages of awarding the first ever national commuter bus contract, a solution responding to an estimated \$150 million in aggregated purchasing dollars acquired through stimulus funds. Sourcing teams composed of 14 state transit agencies helped create the Federal Transit Authority-approved contract, which promises to be welcome news to state government and municipal buyers wrestling with shrinking budgets and growing ridership.

Additionally, in collaboration with Georgia public schools, the division is working on another first, a national contract for school buses. Through its ability to meet the technical requirements and budgetary needs of Georgia schools, the contract is expected to bring much of the same successes enjoyed with its commuter bus counterpart.

DOAS transforms the way communities purchase commuter buses. This national bus contract is one of the first in the nation, and is available to 40,000 government entities nationwide.



In Tragedy, Indemnification Programs Provide Peace of Mind

Thankfully, there have been fewer and fewer public safety officer injuries and deaths each year, with no claims for public school staff in recent years. However, in the unfortunate event of disability or death of a designated public safety officer or public school personnel in the line of duty, the Georgia State Indemnification Program will provide a financial benefit to assist with medical or other associated costs. The programs are governed by separate commissions designated by statute and administered by DOAS.

Fleet Management's Local Impact

The Office of Fleet Management has worked diligently to put in place programs that support the effective management of vehicles across the state. When agencies fully utilize their transportation options, the results can be substantial. Such was the case for the Cobb-Douglas Community Service Board (CSB). In 2008, the agency began using the WEX card for gas purchases and enrolled their 85 vehicles in the ARI maintenance program.

“For our agency, switching to ARI and WEX was the best thing that ever happened.”

“For our agency, switching to ARI and WEX was the best thing that ever happened. We had huge cost savings, and it took the labor intensive work off of us,” says Kellie Bollman, transportation director at the Cobb-Douglas CSB. Now, Director Bollman can focus her attention on getting their clients to their destinations instead of spending hours logging fuel and maintenance transactions and wondering whether she got the best deal for a repair. She reviews fleet data in VITAL and can provide fleet related information to her leadership. “It’s just easy,” she says.



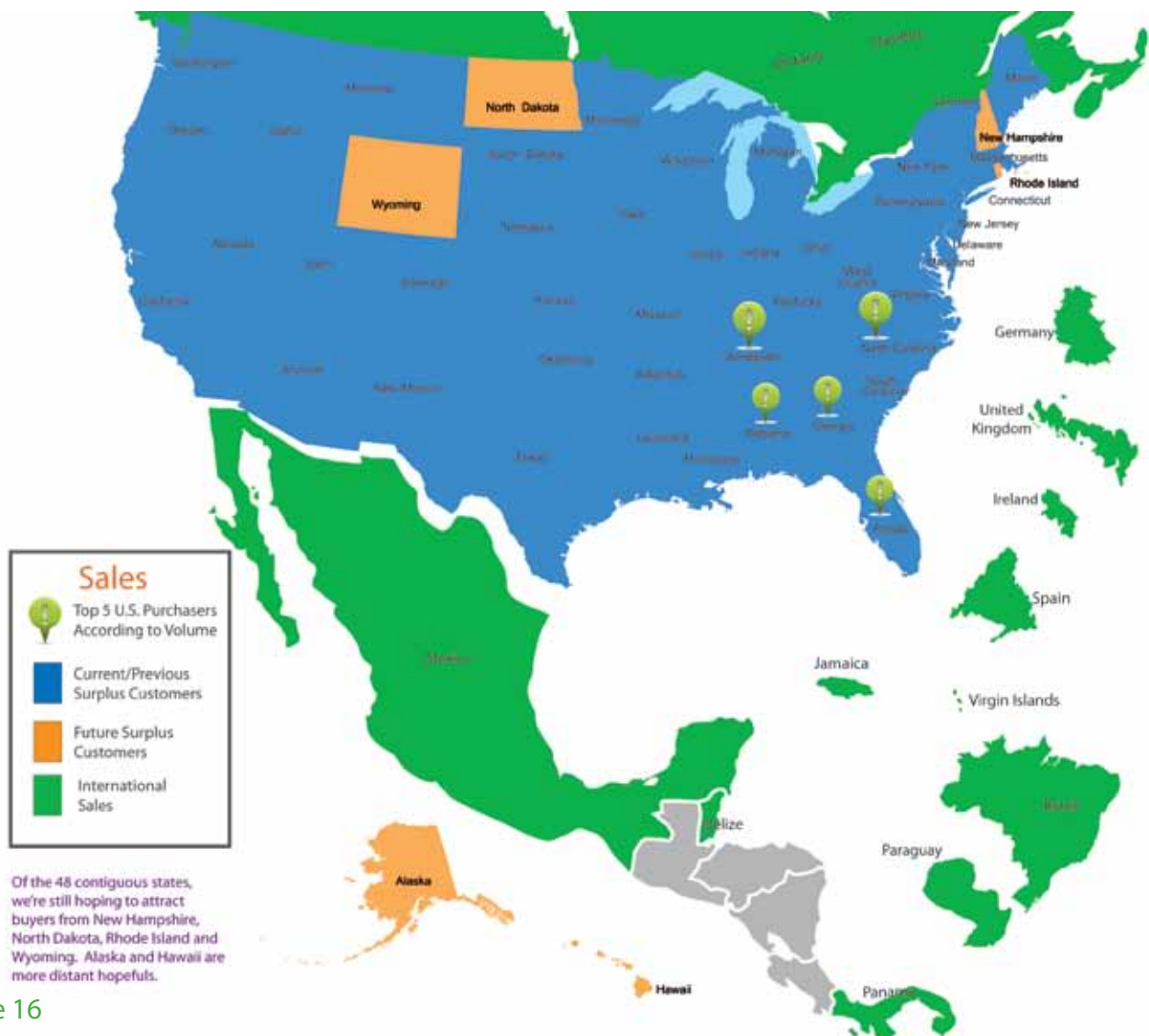
SURPLUS PROPERTY DIVISION

Traditionally, inefficient methods of public bid auctions guided state surplus operations. Personal property was primarily sold out of Georgia warehouses, where local residents made purchases at bargain basement prices. Turns of inventory were slowed by the primary need to fill the warehouses before hosting an auction. In some cases, the surplus division actually lost money due to the heavy item-handling costs and overhead. Fat expenses and an antiquated infrastructure ate away at revenue and threatened the sustainability of the entrepreneurial division which has statutory authority to properly dispose of surplus state assets.

Passing on Efficiencies Through Virtual Transition

A need to be more efficient, to better serve surplus customers, and to respond to unfavorable economic conditions is what prompted a change in the Surplus Property Division's business model. The division did a cost-of-goods analysis that revealed the necessity of converting operations to a virtual business model. While risky and challenging, the division has been able to streamline operations, reduce expenses, create a more fluid inventory of available goods, and exponentially expand their customer base to a worldwide presence.

Since transitioning to virtual operations, Surplus Property significantly expanded its audience and has sold items to buyers in 44 states, the District of Columbia and 12 countries.



Goes to a Flovilla park on Lake Norris



Sold on eBay to a customer in Vermont



Sold to Savannah campus of Georgia Tech

Benefits Enjoyed

Widened Surplus Customer Base

Since the start of Surplus' virtual transition as the nation's first completely virtual surplus operation, the division has sold personal assets to buyers from 44 U.S. states and 12 countries including Belize, Canada, and Jamaica. Surplus Property buyers travel an average of 337 miles to claim items, with American buyers stretching as far west as California and as far north as Maine.

Increased Size and Selection of Inventory

No longer limited by distance and transportation and handling costs, Surplus Property effectively redistributes and disposes items of all kinds. Office furniture to livestock, automobiles and aircraft to ferryboats—all items are disposed "in-place" using commercial auction sites eBay, GovDeals, RedTop Auto Auction and PublicSurplus.com.

Unearthed Efficiencies and National Recognition

The transition into virtual operations helped DOAS Surplus Property earn an immediate cost reduction of approximately \$1 million and maintain a healthy level of quality service to its wide-spanning customers. Recently named an eBay "Top Rated Seller" for its consistent 99.6% customer satisfaction rating, the division also received the 2009 Outstanding Program Award from the National Association of State Chief Administrators for their innovative virtual business efforts and streamlined operations.

RISK MANAGEMENT SERVICES

For many years, the State of Georgia operated without a comprehensive risk management approach or strategy. Loss control efforts were decentralized and largely ineffective due to a general lack of focus and the misapplication of industry principles by government officials. As the centralized organization established to handle state operational liabilities, DOAS observed the ever-increasing financial burden of workers' compensation claims, property maintenance issues, and auto accidents on state taxpayers. However, without the legal authority to mitigate state risks, DOAS could do little to mend the gaping hole in Georgia's risk management activities.

Refocusing Georgia through Quality Risk Management

Economic shifts in the marketplace can lead to transformation; other times it develops from changes in law and the natural desire to do better. Such is the case with Department of Administrative Services – Risk Management Services (RMS), which, with the passage of Senate Bill 425 in April 2008, received legislative authority to establish directives for the prevention and reduction of state claims. The resulting Comprehensive Loss Control Program is both a national first and Georgia's first enterprise-wide safety education and loss control program.

Establishing a centralized authority over the state's risk management activities was a groundbreaking move toward improved safety and preparedness in Georgia. RMS works collaboratively with state entities to employ sound insurance management techniques and quality metrics; so that implementation of an enterprise-wide culture of safety is truly a group effort tackled from all risk management angles.

Enterprise Safety Education

Comprehensive Loss Control Program (CLCP)

Nearly every major exposure faced by the state is addressed by this educational program, which is composed of eight risk management programs, an online video training series, on-site property and procedures inspections, and collaborative planning with RMS' loss control and safety team. A program based on clear philosophical guidelines of safety, the CLCP is also useful in its omission of an operational format. State entities are empowered to use the videos and guidance to create their own loss prevention plans and training programs to address exposures specific to their business.

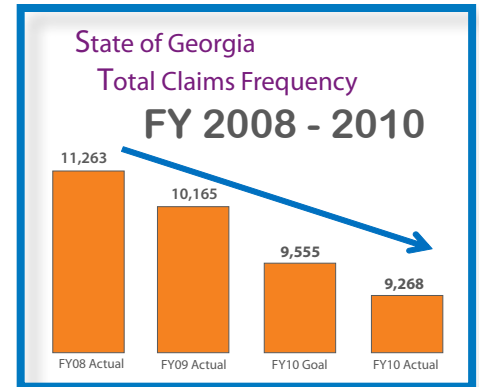
Essentially, the CLCP operates as a contract between state entities and RMS, with shared responsibilities for maintaining a culture of safety. Incentives and disincentives generate buy-in from state entity management, as entities with effective loss control programs are rewarded with favorable premiums and adjusted claim deductibles; the opposite is true for state entities with less effective programs. The CLCP is a partnership where the risk management needs of individual state entities are aligned with enterprise-wide loss control strategies—all for the benefit of Georgia.

Report My Driving Program

Prevention of auto accidents is an important aspect of the CLCP that is handled through driver training, guidance and a special public reporting program called Report My Driving. Since March 1, 2009, nearly 16,000 registered state vehicles have donned the Report My Driving bumper stickers and since then, the State of Georgia has seen a 25% drop in the number of at-fault accidents per year (i.e., from 650 to 460 accidents per year). The bumper stickers provide a public phone number for reporting adverse state driver activity. Reports ignite a series of risk management actions designed to dissuade improper driving. Every time a report is made, RMS tracks the incident for individual performance and macro-level reporting purposes as well as provides driver training, to help ensure all-around safety on Georgia roads.

CLCP Success: Drop in Claims

Metrics play an important role in determining the success of risk management efforts including the CLCP. For the past two years, claims counts have been on a steady decline, which means the state has paid significantly less in claims. First, claims dropped from 11,263 in FY2008 to 10,165 in FY2009 (a 9.7% decrease), followed by a drop to 9,268 in FY2010 (an 8.8% decrease). Adding to this encouraging news is the fact that these drops in claims occurred despite substantial increases in specific claim types. For example, the State of Georgia currently insures 10,000 state fleet vehicles — 4,000 more vehicles than in 2008 — which typically means there is a substantial increase in the opportunity for auto physical damage claims. And yet, the state has enjoyed a total drop in claims of 18.5%. Much of this decline is being attributed to increased safety awareness and the success of the CLCP.

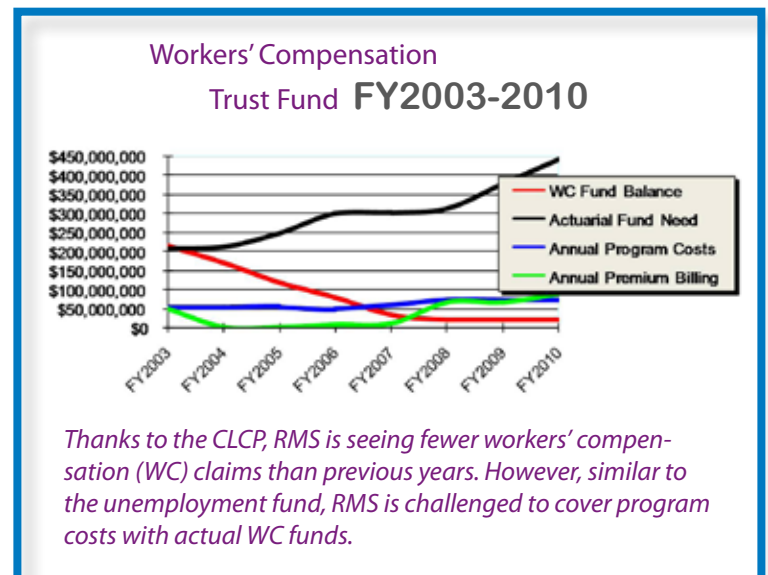


Sound Insurance Management

Unemployment Fund

Few could have expected the severity of impact on Georgia's unemployment fund that has occurred in recent months. Before the nation's economic decline, the State of Georgia had a \$5 million dollar surplus in the fund. However, this changed when the federal government implemented new standards, largely a 5% increase in weekly benefits, to accommodate the longer time the unemployed were out of work. These changes and layoffs on the state level nearly doubled unemployment expenses from \$7-8 million to \$15.2 million per year, producing other near catastrophic results: the complete evaporation of the fund surplus and the impending depletion of Georgia's unemployment fund for state workers.

Working with the Department of Labor, the House, Senate and the executive office of the Office of Planning and Budget, DOAS quickly jumped into action and helped to get replacement funds into the account. However, it is anticipated the account will be depleted by FY2011, when an estimated \$14 million cash infusion fails to cover the estimated \$15.5 million needed for unemployment expenses related to unemployed state workers.



Savings in Excess Insurance

Risk Management Services is proud to be able to self-finance most of the risk generated as a result of state operations; however, every year, approximately 5% of these losses are covered by excess insurance from the private market. While necessary, this coverage typically costs the state as much as \$17 million per year in premiums. That is, with the exception of the past two years when the state has actually seen a significant *decrease* in insurance premiums because of statewide improvements in risk management efforts.

Annual premiums are an indicator of insurance underwriters' confidence in an organization's ability to mitigate risk and perform loss control. In other words, the more accurate the information, the more confident the underwriters and invariably, the more favorable premiums can be enjoyed. Judging by our 33% drop in rates for excess insurance coverage from \$15 million in FY2008 to \$10 million in FY2010, it is fair to say that underwriters are supportive of our loss control efforts. In two years, we have been able to show that the CLCP is being successfully implemented across all areas of state government, with fewer incidents and more comprehensive, active responses during emergencies. DOAS Risk Management looks forward to working together with our state partners to continue this positive trend in FY2011 and in the future.

Georgia Indemnification Program

The General Assembly established the Georgia State Indemnification Programs to provide a financial benefit for designated peace officers and firefighters as well as public school personnel who are disabled or killed in the line of duty. While death and disability funds provide great assistance with medical bills and related expenses, disbursement of the funds was notoriously lengthy, taking anywhere from 90 days to two years. When Georgia centralized its risk management authority in 2008, DOAS – Risk Management set out to significantly reduce beneficiary wait time.

RMS' original goal was to reduce the timeline to 45 days. Previously, DOAS only handled the investigation of claims, but RMS soon discovered that with its newfound ability to handle the entire process (i.e., from submission and investigation to decision), there was opportunity to *even more* substantially accelerate turn-around. Thanks to RMS' new streamlined processing of death and disability claims, processes that typically would take at least nine months to complete now take just 22.5 days, thereby allowing most beneficiaries to get a ruling in 10-24 days (with the longest duration of any single case ruling being 61 days). Bottom line: increased authority and efficiencies turned this multi-month process into one taking mere weeks.



ADMINISTRATION

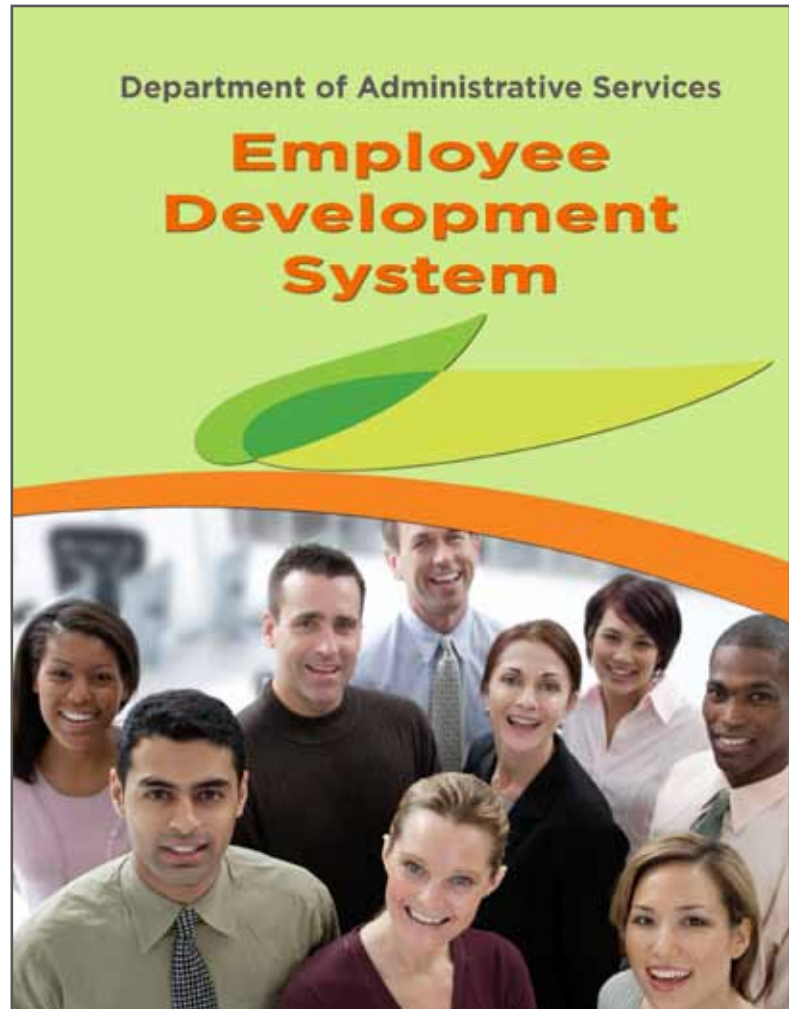
Mail and Courier Services

DOAS continues to operate an efficient inter-office courier and mail services network that sorts, delivers and picks up mail for state government within 35 miles of the Georgia State Capitol. Mail and Courier delivers a number of efficiencies each year that include driving more than 169,586 accident-free miles and servicing more than 62 agencies and 246 service contracts in FY2010. In 2009, the division underwent a comprehensive audit by the Department of Audits and using their recommendations, DOAS is currently pursuing more ways to increase efficiencies and reduce costs.

Human Resources

Among all of DOAS' strategic goals, the desire to be the "employer of choice" has a direct influence on DOAS Human Resources (HR) operations. DOAS - HR is positioned as a partnering, non-policing entity that engages in nontraditional activities to increase DOAS communication and customer service. Their unconventional methods include conducting external and internal customer service surveys, and most recently, the implementation of an organization-wide, competency-based skills training program called the Employee Development System (EDS).

At a time when budget cuts usually make providing various employment perks nearly impossible, DOAS - HR has identified a way to deliver cost-effective, job-related training for its employees. Based on the State of Georgia Behavioral Competency Model, EDS is a self-directed training series that helps individuals master the skills necessary for success in their field. The beauty of the training is that while employees gain greater control of their performance potential and career development, DOAS is able to make a tangible effort to better develop its workforce. All DOAS directors and employees completed their first course at the end of FY2010 and initial feedback has been extremely positive.



THE TRANSFORMATIONAL LEADERSHIP TEAM



DOAS Leadership Team:

Top Row - L to R: Bob Bender, Rodney Jenkins, Terry Doumkos, Gene Kirschbaum, Kelly Loll, Gina Tiedemann, Ed Finnegan, Chris Risley, Steve Ekin, Mary Scruggs, and Joe Kim.

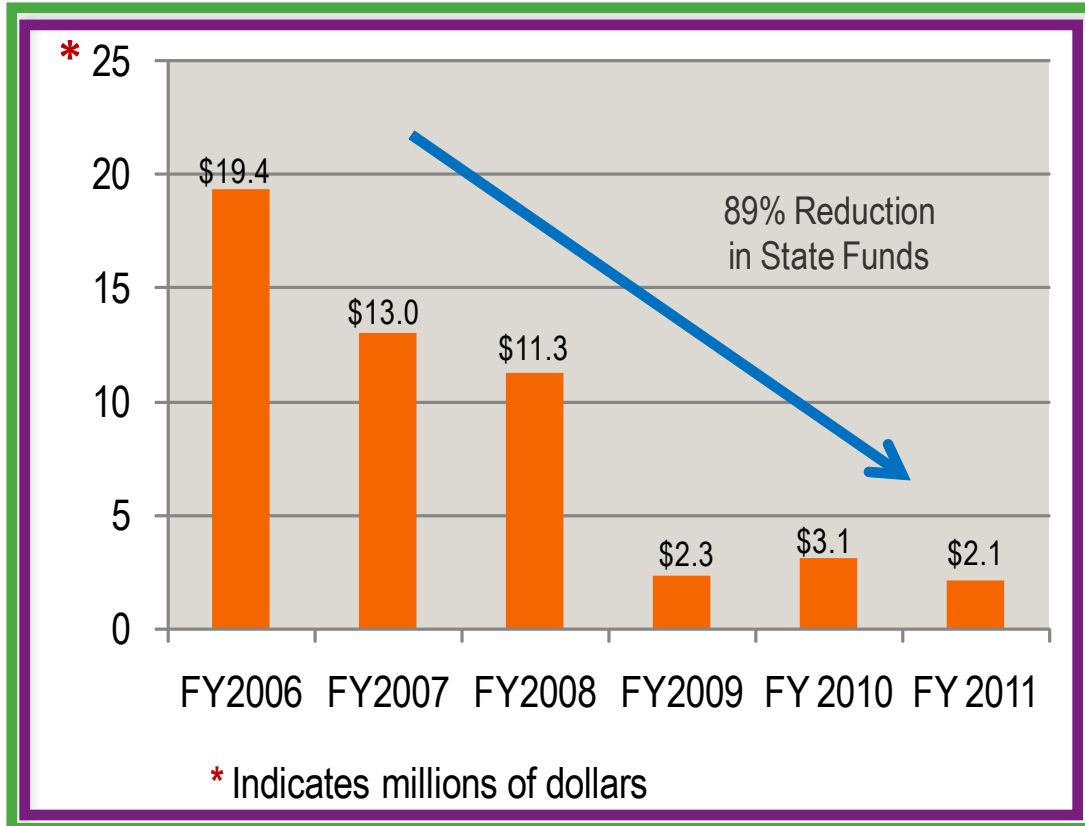
Seated: L to R: Tim Gibney, Brad Douglas, and Sherrie Southern.



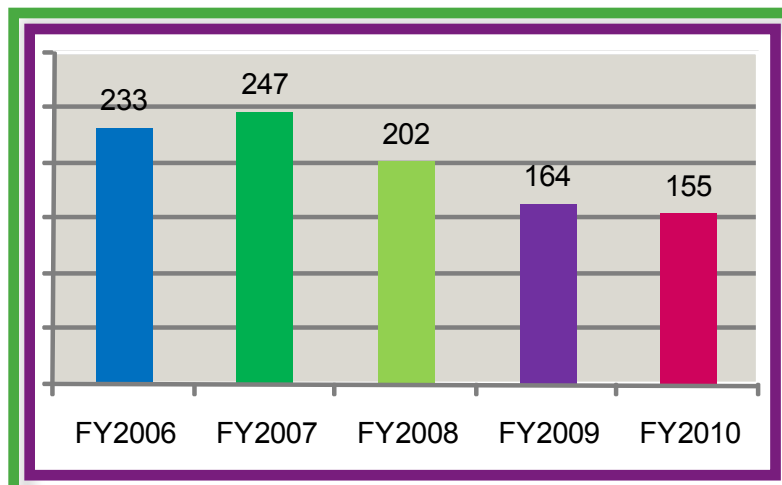
DEPARTMENT OF ADMINISTRATIVE SERVICES FISCAL YEAR 2010 FINANCIALS

As the economic realities of the state and our nation continue to impact state operations, DOAS remains proactive and aggressive about generating enough revenue to sustain the organization while delivering value-added services to local and state entities.

DOAS STATE FUNDS 2006 - 2011



DOAS STAFFING REDUCTIONS 2006 - 2010



Staffing Efficiency

DOAS has reduced their staff from 233 to 155 personnel (33%) since FY2006.

“Resiliency, creativity and service leadership remain our strong suits, as we discard transaction-based interactions to work side-by-side with our customers.”
Brad Douglas, Commissioner



Georgia Department of Administrative Services

200 Piedmont Avenue, S.E.
Suite 1804 West Tower
Atlanta, Georgia 30334

Phone: 404-656-5514

Fax: 404-651-9595

Email: customerservice@doas.ga.gov

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DOAS is helping to transform the state's fleet by offering, through statewide contract, pursuit vehicles at an average discount of 17% below the dealer invoice. State and local entities, including the City of Forsyth, use the contract to purchase vehicles like the police car pictured (r). Meanwhile, the Office of Fleet Management works to effectively manage the state's fleet so that pursuit vehicles can help the Department of Public Safety meet their mission.