



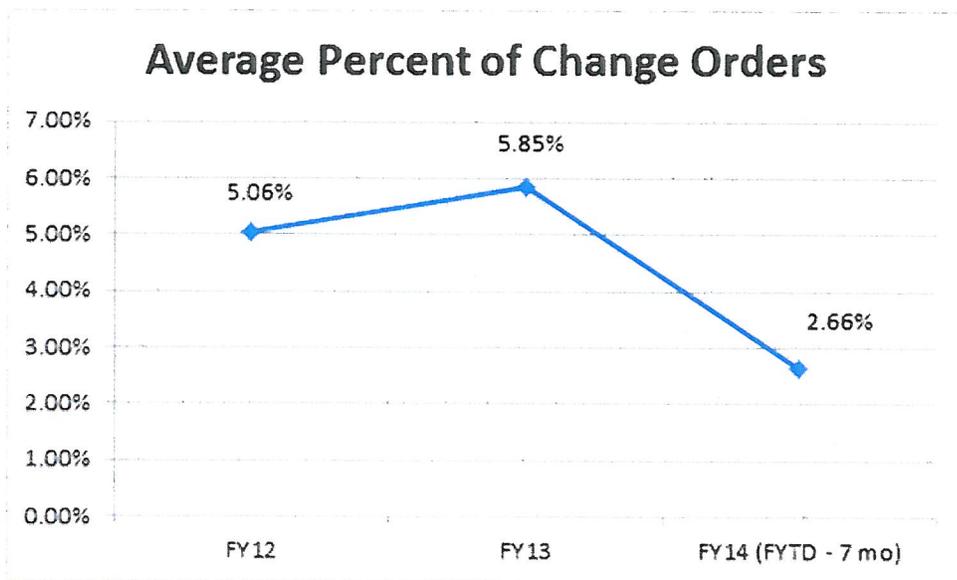
TO: MEMBERS OF THE GOVERNMENT OVERSIGHT COMMITTEE
FROM: Mike Carroll, DAS Director
DATE: April 2, 2014
RE: Improvement in DAS Design and Construction

The reorganization of DAS Design and Construction has led to improved service, fewer change orders and savings to the taxpayers.

One of the problems of the old system included the Iowa Veterans Home Phase I. The IVH Phase I was a \$41,044,166 project budget had 7.2% in change orders and was nine months behind schedule. Industry average for change orders is 2% - 3%. The contractor submitted a \$450,000 delay claim due to Owner caused issues.

In addition, the old system saw a high percentage of change orders and projects significantly behind schedule. Below is the historical data for our area which illustrates the improvements made in the last two years. Statistics to note is the decrease in change order percentage by 3.19% and the increase in the number of completed projects.

The old system had work performed under Master Agreements for hundreds of thousands of dollars with no design or competition, which was a common practice. Example: Glenwood Fire Alarm Panel Upgrade. Previous staff had a contract for \$335,769 submitted for execution from a single provider utilizing a Master Agreement. After reorganization, this work was designed, competitively bid, and performed for \$285,549, which is a savings of \$50,219, complies with Iowa Code, and was managed by the State's construction manager.



What types of services does DAS provide and how are they funded?

DAS provides a wide range of services encompassing general services, information technology, human resources and state accounting functions for government. These services are divided into three categories: utility, marketplace or leadership.

Utility services are those most efficiently provided through a centrally-managed resource in order to maximize efficiency and/or capture economies of scale – where it makes economic sense to have a single supplier for all users, like Capitol Complex space management. Customers (other state agencies) are required to purchase utility services from DAS.

Funding: customers have a voice in setting these utility rates through the Customer Council, which is similar to a board of directors in the private sector. Utility services are funded by payments made by the agencies using the services.

Marketplace services are those which customers have a choice of vendors (inside or outside state government), such as human resource training, conference planning, labor/management facilitation, motor pool vehicles, repairs, printing, graphic design, a variety of technology services including mainframe services, networking and e-government solutions.

Funding: marketplace services are discretionary services funded by payments made from an agency that decides to use the service.

Leadership services include policy, personnel, finance, and marketing/communications.

Funding: leadership services are funded by a General Fund appropriation to the Department of Administrative Services.

Department of Administrative Services Cost Savings

ISSUE

This *Issue Review* is an examination of cost-saving actions by the Department of Administrative Services (DAS) by outsourcing services. The Department has recently outsourced janitorial services for three buildings on the Capitol Complex and have restructured the way construction projects are managed with the goal of producing cost savings.

AFFECTED AGENCIES

Department of Administrative Services

CODE AUTHORITY

Iowa Code chapter 8A

BACKGROUND

The Department of Administrative Services Four-Year Strategic Plan FY 2012 – FY 2015 states the primary goal is “[t]o increase the efficiency and value of the Department of Administrative Services by controlling costs and assisting state government in reducing expenditures by a targeted minimum of 15.0%.” The plan further states, “Fundamental to all the initiatives within this plan are value versus cost, business case analysis, statewide reduction of the cost of government, Business case analysis and long term effects of any DAS initiative will precede implementation of the initiatives within this plan.”¹

The plan emphasizes restructuring of the DAS organization for efficiency and value in the last half of FY 2011 through FY 2012. The approach was to:

- Review existing structure and services for cost versus value based on business case analysis
- Rebuild organization around business case outcomes
- Adjust policy and procedures for efficient and user oriented delivery
- Use of technology coupled with policy/procedure adjustments for savings
- Provide vendor management ²

A business case states the reasons for a project or task. It may be a structured, written document, or it sometimes can be a short verbal argument or presentation. The perspective of the business case is that the consumption of resources, such as money or effort, should support a specific business need. For example, a software upgrade can improve computer system performance, but the business case would link better performance with customer satisfaction, reduced staff time, or cost savings from reduced maintenance costs. A compelling business case captures quantifiable and nonquantifiable factors and benefits.

For the DAS, the use of the business case analysis is an informal approach to examining departmental operations. Service practices are examined, less expensive alternatives are

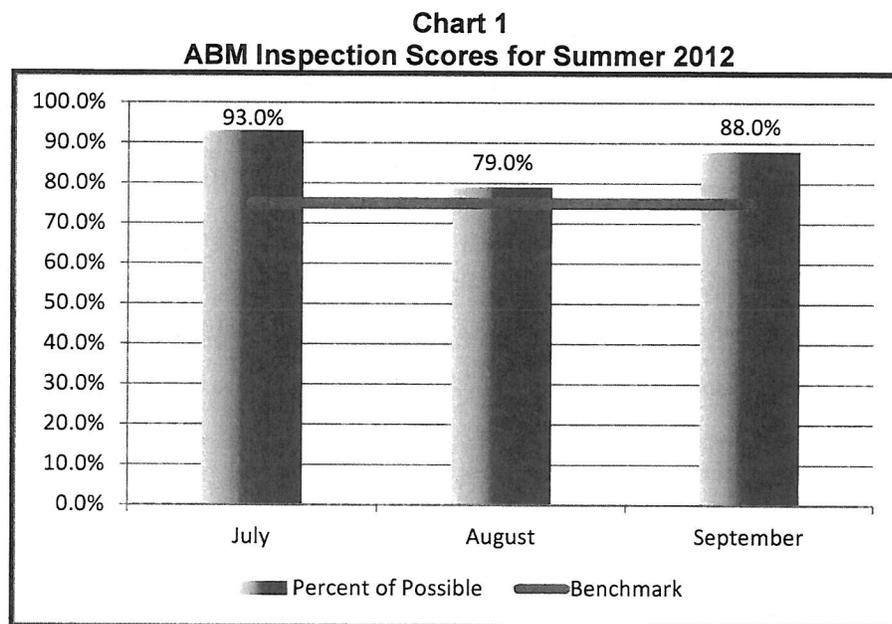
¹ DAS Four-Year Strategic Plan, page 1.

² DAS Four-Year Strategic Plan, page 3.

Quality Control. Quality control responsibilities are shared by ABM and the DAS during joint quality audits and walk-through inspections. The inspection form is completed jointly by the DAS and ABM managers. Originally, ABM completed the inspection form, but it was changed to a joint inspection with an agreed upon score. (See **Attachment A** for the inspection form.)

The inspection examines 43 items and ranks each on a 4-point scale: Meets Expectations (4), Good (3.5), Average (3), Needs Improvement (2.5), Unacceptable (2), and Retrain or Replace Employee (1). A web-based system is used by ABM to check that standards are met, tasks are performed, and to compile inspection scores. The DAS benchmark is set at 75.0% of the possible points or a score of Average (3) on the 4-point scale.

Chart 1 shows recent combined scores for the outsourced janitorial services at the three Capitol Complex buildings. The July score of 93.0% translates to an average or mean score of 3.7, about halfway between Good and Meets Expectations. August drops to 79.0% for a mean of 3.2 or Average. September's score is 88.0% which translates to 3.5 or Good.



Change in Quality of Services. To obtain an indication of whether the quality of janitorial services had changed with outsourcing, a brief survey was completed by people working in the three buildings served by ABM. The goal was to obtain approximately 20 to 30 responses from staff that have worked in each of the Grimes, Hoover, and Jessie Parker buildings for at least two years. The two-year requirement ensured the respondents had experienced both janitorial services from the DAS employees and from ABM employees.

The questionnaire was sent to the legislative contacts for State agencies housed in the buildings served by ABM. They were asked to have participants complete the questionnaires and return them to the Legislative Services Agency. A sample collected in this way is called an "availability" or "convenience" sample.⁴ An availability sample is used to obtain an inexpensive

⁴ An "availability" or "convenience" sample is a nonprobability method that uses readily available participants to get a gross estimate of the results without incurring the cost or time required to select a random sample. The advantages of this type of sampling are the availability and the quickness with which data can be gathered. The disadvantages are the risk that the sample might not represent the population as a whole, and it might be biased by the volunteers.

Average), and the availability sample chose the second and third categories most frequently (Good and Marginal).

It is likely the service quality declined with outsourcing of the janitorial services. The tradeoff is the decrease in costs. By the DAS's estimate, outsourcing produced a 43.1% cost reduction.

Customer Satisfaction. The DAS addresses customer satisfaction in two ways. First, it provides a customer service center with phone and e-mail access through its website (http://das.iowa.gov/cust_serv/). The website is designed as a general contact point for a variety of issues including building services and problems. Contact persons, quite often an administrative assistant, are identified for each agency in each building served by the DAS. Work requests or problems are usually handled through the contact person, but any State employee may report a problem or work request. Requests are entered into either the DAS or ABM work order system, assignments made, and work tracked to completion.

Second, the DAS also holds quarterly forums in each building served by the DAS. Forums generally include the department contact persons but are open to anyone. In addition to the contact person, others wanting to attend or assigned by their departments to attend are put on the forum notification list and sent meeting announcements. The forums provide input on a variety of issues for building services provided by DAS, including janitorial services. The minutes from the September meeting with departments in the Grimes Building are provided as an example in **Attachment C**.

CONSTRUCTION PROJECTS

The Department previously used a "general contractor" approach in the past which was administered by the Architectural and Engineering Services. General contractors would bid the project, and the one with the low bid would win the project. The general contractor hired the subcontractors for the project. The general contractors could increase their profit on the project through additional charges with change orders, rework orders, delay claims, and other actions that generated additional charges. Projects typically ended up costing more than the original bid.

Under the "construction manager" approach,⁵ the construction manager works for the State (DAS) on a per-project contract basis. The DAS regularly contracts with a half dozen construction managers. The construction manager replaces the general contractor, but is not in a position to profit from change orders, rework orders, delay claims, or similar actions. The construction manager breaks up the project into separate bid packages and hires the trade contractors to do the pieces of the project. To continue to be hired for future projects, the construction manager must meet budget and quality standards. That is, the construction manager supervises the projects to see that the work meets requirements the first time to avoid additional charges. If there are too many change orders, rework orders, or delays, another construction manager will be selected for future projects. This arrangement is intended to create competition among construction manager contractors to keep costs down. Since the individuals or firms are contractors, they are not on payroll and being paid and collecting benefits between projects. The DAS staff is responsible for project contracting and overseeing the construction managers.

The transition to a construction manager approach allowed the Architectural and Engineering Services Section to eliminate six positions through layoffs resulting in an annual cost savings of approximately \$730,000. The DAS estimates it will cost less to contract as needed for administrative services than to maintain staff full time.

⁵ Competitive bidding still takes place with the construction manager approach to meet statutory requirements.

construction manager approach will need to be reexamined after enough projects have been completed to provide adequate data.

In addition to outsourcing, the DAS has taken steps toward reorganization and consolidation. For example, the Labor Relations Team was relocated and reorganized to directly report to the Director and General Counsel, thus increasing management involvement in negotiations and decisions. The Core Finance group was recently reorganized and positions were eliminated when an analysis identified some duties as unnecessary or redundant. There has been turnover among DAS supervisors. Since January 2011, 37.8% (14) of the supervisors are no longer employed by DAS. They were replaced by four promotions and seven hires from outside the agency, bringing the total new supervisors to 32.4% (11) of the total DAS supervisory positions. Throughout the Executive Branch, 16.4% of the supervisors left during this roughly 18-month period, and after promotions and hirings 11.2% of the supervisory staff were new to their positions.

STAFF CONTACTS: Dwayne Ferguson (515-281-6561) dwayne.ferguson@legis.iowa.gov
Ron Robinson (515-281-6256) ron.robinson@legis.iowa.gov

REFERENCES

Business Dictionary: <http://www.businessdictionary.com/definition/convenience-sampling.html>

Survey Sampling Methods: <http://www.statpac.com/surveys/sampling.htm>

Janitorial Services

During April 2012, the Department of Administrative Services (DAS) changed the way janitorial services are delivered in three buildings. Please provide responses to the following questions by typing an "X" the appropriate space and by typing in your comments.

1. Which building are you in? ___ Grimes ___ Hoover ___ Jesse Parker
2. Have you noticed any change in the quality of the janitorial services after April 2012?
 ___ Yes ___ No
 If yes, what changes have you noticed?

3. How would you rate the following services over the past six months? (Place an "X" in the chosen box.)

Area:	Excellent	Good	Marginal	Poor	Unaccept- able	Not Apply
Work areas are kept clean						
Trash cans are emptied and liners are changed consistently						
Floors are swept, vacuumed, and/or mopped regularly						
Restrooms are kept clean and well stocked						
Lobby, entrances, and hallways are kept clean						
Conference rooms are kept clean						
Responsiveness to special requests						
Overall impression of the janitorial services						

4. Other comments or suggestions:

Thank you for your help with this project. Please save and email the completed document to Dwayne.Ferguson@legis.state.ia.us by November 2, 2012. If you have questions or concerns, please give me a call. Thanks again.

Dwayne Ferguson
 Senior Legislative Analyst
 Legislative Services Agency
 515-281-6561

Grounds Maintenance Issues

Questions were asked on who has how many designated parking spaces. Here is the breakdown of the parking spaces: Education has 5, ICN has 4, the mailroom has 1 and Civil Rights has 4.

Snow fences will be back up this year around the building. It will be green to help blend in. They will not be a bright orange.

IPI will be shoveling the immediate area around the buildings so that custodial staff can clean the wet spots inside of the building.

Energy Program

Occupancy sensors were installed in Director of Education's office and in the break room down in the basement.

Aerators were installed on the bathroom sinks to conserve water flow.

Lighting control panels will be replaced in the building within the next couple of weeks. Main lights in the building are scheduled to be on during the hours of 6:30 a.m. to 5:30 p.m. Outside regular hours, staff is encouraged to use task lighting. If there is a large meeting and the lights need turned on, please contact DAS Customer Service and let them know.

Vending

No vending issues at this time.

Other Concerns

The blower noise in the basement conference room has been fixed since the last meeting.

Looking at the possibly of putting a note in the restrooms asking people to please not flush paper towels down the toilets or coffee grounds down the sink.

DAS-GSE Capitol Complex Maintenance Customer Service 242-5120, option 3
DAS-GSE Capitol Complex Maintenance Email: CustServ.GSE@iowa.gov