



SB 5502 Shared Services Budget Note Update

Joint Committee on Ways and Means

General Government Subcommittee, February 1, 2016

DAS
DEPARTMENT OF
ADMINISTRATIVE
SERVICES

Key Points to Cover Today

Highlights from the Shared Services Report– 2015 SB 5502

- Identified self-reported universe of shared administrative services
- Mixture of formal and informal arrangements
- Continuum of cost recovery

Existing & Ongoing Shared Services Projects

- Shared Internal Audit work
- Shared Payroll Pilot
- Improving Government Project on Shared Services

SB 5502 Budget Note Text

Agencies other than DAS providing administrative services to state agencies:

“The Department of Administrative Services shall compile a list of all state agencies receiving administrative support services from an agency other than itself, or the Department of Administrative Services. DAS shall collect information on what services are being provided, how much agencies getting services have agreed to pay and how much the providing agencies expect provision of these services will cost them to provide for provision of each service identified, how long the agency has been using that particular agency for services, and how long those services have been outsourced to any state agency including DAS. The Department shall report on information collected during the 2016 legislative session to the appropriate subcommittee of the Joint Ways and Means Committee.”

Identified self-reported universe of shared administrative services

14 agencies provide a mixture of services to 18 different agencies

These services are provided through 24 different agreements

- 19 detailed inter-agency agreements
- 2 arrangements required by statute
- 2 agencies trade services informally
- 1 agency provides services with no formal agreement

Full range of services provided:

- HR, Payroll and Benefits, IT, Accounting and Budget, Procurement, Internal Audits

Similar range of cost recovery

- Full cost recovery, partial or none
- Detailed hourly charges, monthly or annual flat fee



Ongoing Shared Service Projects

Shared Internal Audit work

DAS, DCBS & DOR Sharing Internal Audit Resources

- Existing agreement to support internal auditors within the 3 agencies
- Commit to one cross-agency audit each year, with different agency taking the lead in each audit
- Increased standardization of processes
- Shared learning opportunities develop internal audit capacity
- Efficiencies found by completing same audit topic for all three agencies; all agencies benefit from findings of the other
- No change in FTE or limitation, no cost recovery
- Agencies satisfied with arrangement with no plan to alter at this time

Ongoing Shared Service Projects

Shared Payroll Pilot

DCBS, DOJ & DOR running a pilot sponsored by IGST

- Payroll staff co-located and providing payroll services to all 3 agencies
- Increased standardization of processes
- Greater alignment to best practices
- Cross training of staff across agencies and functions increases bench strength
- No change to budgeted FTE or limitation and no cost recovery for the pilot

Pilot continuing through end of June 2017

- Review will be conducted to determine success of the pilot
- Potential for request to reallocate FTE, and establish cost-recovery/allocation method

Ongoing Shared Services Project IGST Shared Services



IGST Shared Services Project

What we Know Today

Agencies have common core administrative and business needs:

1

- Procurement
- Human Resources
- Payroll
- Accounting
- Budget
- IT

Agencies secure those functions in a variety of ways:

2

- Do their own
- DAS
- Other agency provides
- Don't do anything
- Some combination of the above

Agencies vary in how they define or deliver levels of each function:

3

- Highly customized services
- Standardized/transactional services
- Full cost recovery vs. “subsidized” (some service costs embedded in administration or program)



IGST Shared Services Project Goals and Outcome

Answer three basic questions:

- Is there a minimum level and/or standard levels of service for an administrative function?
- Is there a standard way to account for and allocate the costs within levels of service?
- What governance is needed to ensure consistency, transparency and quality?

Desired Outcome - Standards for providing shared services, including:

- Minimum standard of service with optional levels above
- Common cost accounting and allocation structures
- Common governance structures

IGST Shared Services Project Work completed to date

Reviewed current administrative services and **identified core business outcomes**

Determined if strategies to achieve outcomes were **transactional** (*likely candidates to share services between agencies*) or **strategic** (*may be more suited to specific agency business*).

Reviewed a sample DAS accounting and rate methodology and outlined a potential **standard cost accounting structure**

Reviewed services provided in the budget report and identified **4 common cost allocation/recovery models**

DAS EHRS Charges 3 Rates

1. Client Managers (\$/FTE)
2. Systems (\$/Transactions or Users)
 - iLearn
 - eRecruit
 - PPDB/PICS/OSPS
3. Training (\$/Student or Course)
 - Project Management
 - Other Training Courses

What's in the DAS EHRS Rates?



Personal Services

Associated S&S

*(includes Data Processing &
State Government Service Charge)*


DAS Business Services Overhead

60-days working capital

$$= \frac{\text{\$ total need (biennial)}}{\text{Unit (i.e. FTE/transactions/users/student/course)}}$$

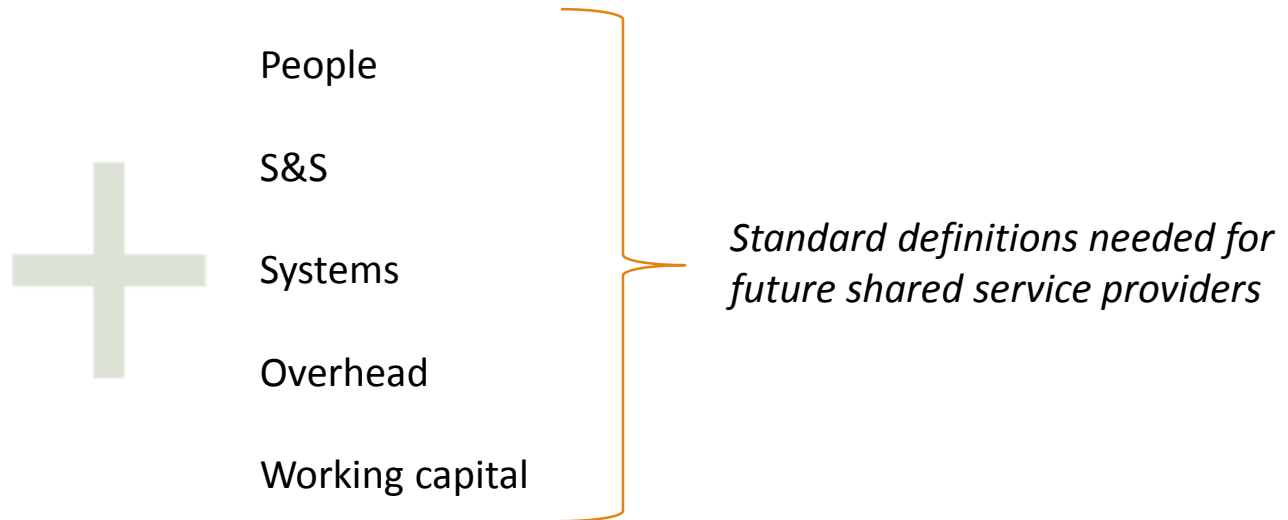
= EHRS SERVICE RATE

This Could be the Same for any Shared Service

 People
S&S
Systems
Overhead
Working capital

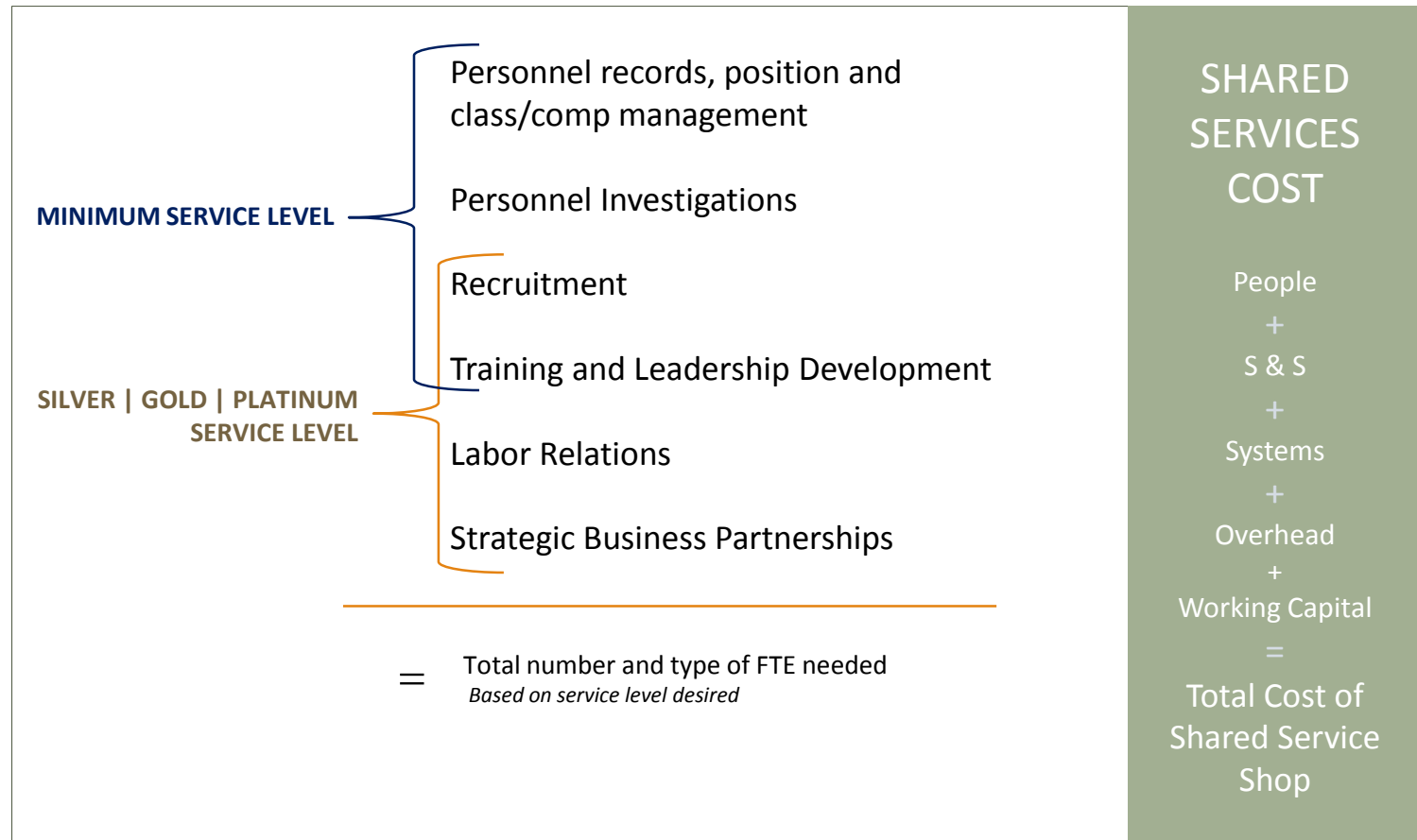
 **Cost for a Shared
Service Shop**

This Could be the Same for any Shared Service



**= Cost for a Shared
Service Shop**

Service Levels Help Determine Cost



Four Potential Cost Recovery Models

- Full Cost
- Divisional Cost
- Marginal Cost
- No Cost

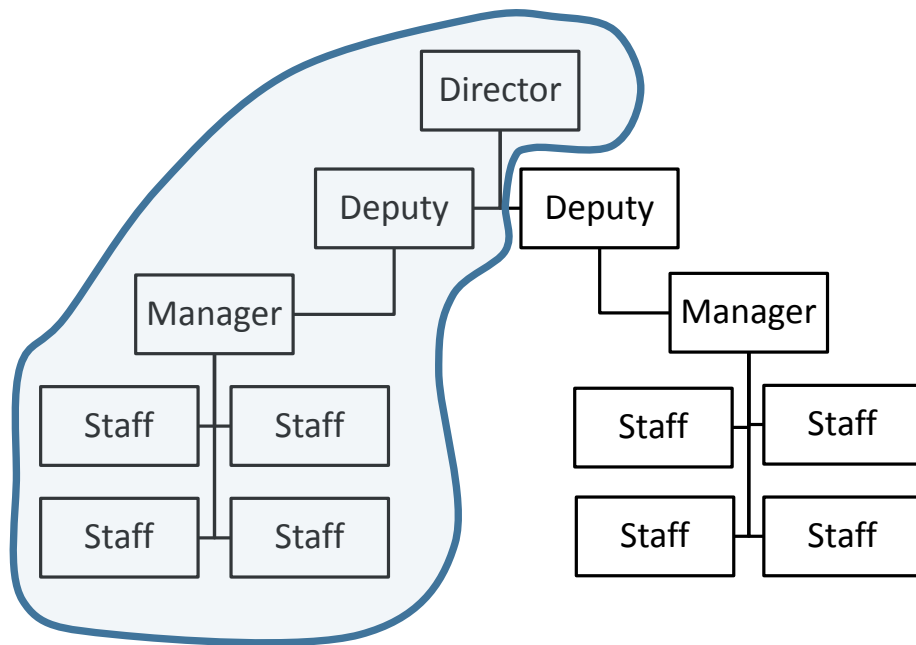
(There probably are other hybrid models as well.)

Four cost model examples

FULL COST MODEL –

Dedicated service provider, fee structure provides most or all revenue for entity. Detailed modeling and consideration of cross-subsidy.

(DAS, Center of Excellence Hub, 3rd Party)



EXAMPLE:

Department of Administrative Services/Client Agencies
(15-17 pricelist)

Client Managers

Client Agency HR Management Services - \$80/FTE/month

Investigation Services - \$71/hour

Recruitment Services - \$56/hour

Position Management Services - \$53/hour

Safety Management Services - \$56/hour

Training and Development Services - \$64/hour

eRecruit System

Cost per job posting - \$71.49

iLearn System

Cost per Active User - \$19.50

Cost per Exclusive Course Taken - \$10.18

Cost per Non-Exclusive Course Taken - \$0.00

Base Cost per Agency - \$3,345

PPDB System

Larger User Base Charge - \$16,768

Smaller User Base Charge - \$4,192

Cost per PA Processed - \$1.32

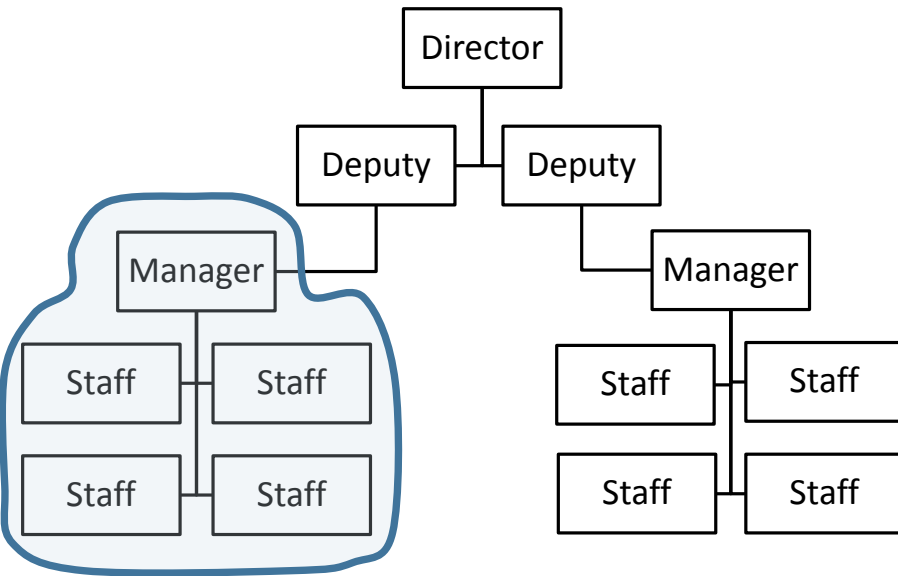
Cost per PA Key punched - \$44.00

One-off Special Report - \$57/hour

Four cost model examples

DIVISIONAL COST MODEL –

Redistribution of cost, but not at level of detail of full cost model.



EXAMPLE (Assumed to be Divisional Cost):

Department of Consumer and Business Services/BOLI

PPDB/Personnel Records - \$39/hour

Class/Comp& Salary Administration - \$54/hour

Performance Management/Labor Relations - \$57/hour

Executive Recruitment - \$64/hour

Other Recruitment - \$43/hour

Training & Workforce Development - \$54/hour

WC and safety - \$43/hour

Leave administration (FMLA/OFLA) - \$42/hour

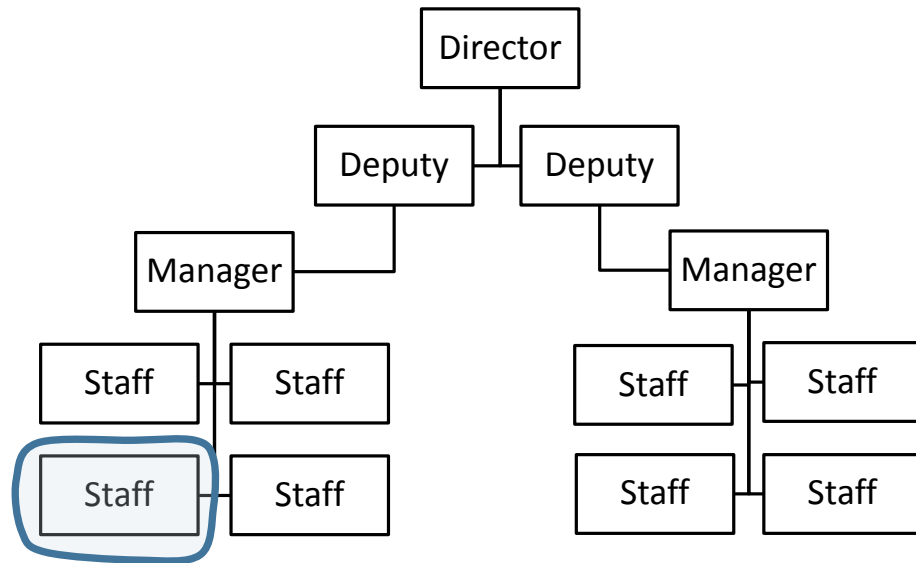
HR Services Administration - \$67/hour

In addition to the hourly rates above, services and supplies and a 22% administrative fee is charged.

Four cost model examples

MARGINAL COST MODEL –

Majority of resources are providing services to host agency, small increase in workload for supported agency. Charges cover only costs for additional workload.



EXAMPLE (Assumed to be Marginal Cost):

Oregon Medical Board/Oregon Board of Dentistry

Human Resource services including leave management services; records management services; recruitment services; position management services; HR advice and interpretation services; employee and labor relations/performance management; and worker compensation and safety support - \$5,100/year

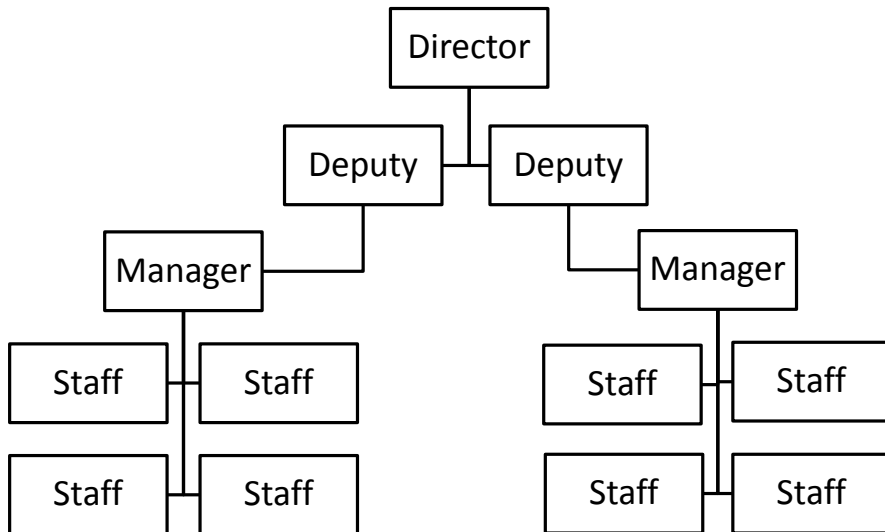
Department of Fish and Wildlife/Real Estate Agency

HR services including personnel action processing, records management, and intranet/internet updates to HR websites; new employee orientation; virtual learning coordination; recruitment/strategy; leave administration (FMLA/OFLA); classification, compensation & salary administration; performance management/employee labor relations/Affirmative Action Plan; investigations/grievances; section management/issue review - \$19,510/year

Four cost model examples

NO COST MODEL –

Both formal and informal agreements, with no fund transfers.



EXAMPLE:

DCBS, DOR, DOJ

Payroll pilot - Co-location of agency staff to perform payroll functions for three agencies. - \$0

DCBS, DOR, DAS

Internal Audits – Rotating lead for a cross-agency audit during a three-year period. - \$0

Oregon Judicial Department/Law Commission

Budgeting services including tracking pass through funds; coordination with Legislative Fiscal Office; preparing budget documentation; monitoring budget; and data entry into ORBITS system. - \$0

IGST Shared Services Project

Next Steps

Minimum/Standard Levels of Service

- Continuing to use HR as an example, work with agencies to define standard levels of service

Cost Accounting

- Work with agencies to define key components of cost accounting
- Run sample of current shared services through the standards

Cost Allocation/Recovery

- Run sample of current shared services through cost recovery models

Governance

- Based on results of the test cases, revise methodologies and begin discussion around governance