



State of Utah

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Department of Government Operations Executive Director's Office

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Agenda

GovOps FY2025 Internal Service Fund Rate Committee Business Meeting

DATE: Monday, July 17, 2023

TIME: 3:00 – 5:00 PM

PLACE: **Anchor Location:**

Taylorsville State Office Building (TSOB)
Green River Room C325 (3rd Floor)

Google Meet Virtual Option – meet.google.com/xzu-xavz-woz

I. **Committee Business:**

- a. Welcome – Jake Hennessy, Finance Director, Department of Government Operations
- b. Review Meeting Protocols
- c. Marvin Dodge, Executive Director, Department of Government Operations
- d. Approval of minutes of 2024 Rate Committee meetings
- e. Selection of a New Committee Chair
- f. Open and Public Meetings Act Training – Brian Shaw, Assistant Attorney General
- g. Moss Adams Review Summary
- h. Things to know about upcoming rate committee meetings and packets

Subsequent Meeting

Wednesday, September 13, 2023, Tuacahn Room 1400, Taylorsville State Office Building, 9:00 a.m.

Wednesday, September 20, 2023 (if necessary), Tuacahn Room 1400, Taylorsville State Office Building, 9:00 a.m.

Committee Members

Shara Hillier, Finance Director, Utah Department of Transportation

Peter Anjewierden, Finance Director, Utah Department of Commerce

Heidi Reilly, Finance Director, Utah State Tax Commission

Tiffany Clason, Department Director, Department of Alcoholic Beverage Services

Kamron Dalton, Managing Director of Operations, Governor's Office of Economic Opportunity

Nate Winters, Deputy Director, Department of Health and Human Services

Duncan Evans, Managing Director of Budget & Operations, Governor's Office of Planning and Budget

ADA Notice: In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting must notify Ms. Melissa Brown at the Department of Government Operations, 4315 S 2700 W FL 3, Salt Lake City, Utah 84129-2138, or call 801-957-7171, at least three (3) business days prior to the meeting.

Department of Government Operations
Thursday, September 22, 2022
Tuachan Room – TSOB and Virtual

Committee Member Attendees: Jaceson Maughan, Chair, Gary Harter, Kristy Rigby, Ty Howard, Greg Paras, Nate Winters, Duncan Evans

Meeting Attendees: Dan Frei, Brian Nelson, Marissa Klebenow, Alan Fuller, Andy Marr, Annie Cook, Dana Gauthier, Dave Williams, Jake Hennessy, Jaime Rasmussen, Jaime Sorenson, Janica Gines, Leno Franco, Melanie Henderson, Phil Bates, Stephanie Weteling, Windy Apayrath, Mark Yeschick

Meeting Minutes: Gary Harter motioned to approve, Nate Winters seconded the motion and the group approved.

DTS – Alan Fuller, Division Director – Division of Technology Services, provided an overview of the items requested from the previous meeting including: Application Development Platforms and Security Assessment. Duncan Evans said this cleared up all of the questions he had on the application development platforms, the previous information didn't provide this level of detail. Ty Howard said that he appreciated the job that DTS is doing and the new information provided and we need to stay ahead of these situations.

Future Rate Impact

Seat Rate: Agencies would like simpler rates and billing. DTS is currently exploring the use of seat rates, and would like to collect rates more affectively. DTS feels they can better manage devices and reduce the number of support calls. Ty Howard would like to see DTS track the metrics on this, i.e. changes or adjustments to the seat rate annually. Alan Fuller said they would track this information and work with agency finance directors. Gary Harter said he does like the seat rate and asked what risk are you taking by moving to a seat rate? Alan said that year to year we adjust because we both over and under collect. Greg Paras asked if this rate would be based on HR information and agency board members. Alan said that unless they have an email address and use the network they would not be billed for. Nate Winters said that transparency in the rate is going to be very important and this is a good idea.

Device Management: DTS feels they can add value to agencies by adding a device management option. Ty Howard said that a cost savings would be had by buying in bulk and he also asked if there is any information on the cost savings. Dan Frei, DTS Finance Director, said that they have reached out to HP asking if DTS can guaranty a certain number of laptops would they realize any savings. Ty Howard asked if the cost savings would out way the cost to state agencies. Gary Harter also liked this idea. Alan Fuller said that devices would be on a warranty schedule for replacement. Nate Winters said that this is also a good idea and it would help with tight budget years and the agency would not have to worry about this.

Authentication: Alan Fuller said its time for this system to be upgraded and there are a lot of legacy applications that are in our authentication system. We need to upgrade these core tools and there is some funding for this. However, there would be a cost to agencies for moving to the new system.

HCM/Payroll: The legislature covered the cost of the system but there are ongoing costs that agencies will need to pay. This rate would be a GovOps rate and not a specific division's rate. GovOps is currently working with GOPB on this and the legislature did provide some ongoing funds which will help.

Chair Maughan asked for motions to approve the individual rates

DTS: Ty Howard motioned to approve the rates as presented by DTS, Gary Harter seconded the motion and the group approved and the motion carried.

Risk Management: Gary Harter motioned to approve the rates, Greg Paras seconded the motion and the group approved

DHRM: Nate Winters motioned to approve the rates, Ty Howard seconded the motion and the group approved.

DFCM: Nate Winters motioned to approve the rates as presented, Gary Harter seconded the rates, the group approved

Fleet Operations: Greg Paras motioned to approve the rates as presented, Nate Winters seconded the motion and the group approved.

Purchasing/General Services: Gary Harter motioned to approve the rates as presented, Ty Howard seconded the motion and the group approved.

Finance: Nate Winters motioned to approve the rates as presented, Greg Paras seconded the motion and the group approved.

Jake Hennessy, GovOps Finance Director, thanked everyone on the Committee, DTS and all those who provided information for the presentations. Chair Maughan also thanked everyone for their hard work.

Motion to adjourn: Ty Howard motioned to adjourn and the meeting was then adjourned!



FINAL REPORT

Utah Department of Government Operations

INTERNAL SERVICE FUND AUDIT

December 21, 2022

Moss Adams LLP
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500



This report is intended for the internal use of the Utah Department of Government Operations, and may not be provided to, used, or relied upon by any third parties.

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I. EXECUTIVE SUMMARY

A. BACKGROUND, SCOPE, AND METHODOLOGY

The Department of Government Operations (DGO, the Department) aims to support and enable other government agencies in the State to fulfill their core missions. DGO was created on July 1, 2021 to combine the prior Department of Administrative Services, Department of Human Resource Management, and Department of Technology Services; 7 of the 10 divisions in DGO operate, at least in part, as internal service funds (ISFs), including:

- The Division of Facilities Construction and Management
- The Division of Finance
- The Division of Fleet Operations
- The Division of Purchasing and General Services
- The Division of Risk Management
- The Division of Human Resource Management
- The Division of Technology Services

These ISFs provide centralized goods and services to other government agencies across the state on a cost-reimbursement basis and enable reimbursement from federal and restricted funds. By providing centralized services to other government agencies, ISFs take advantage of economies of scale, increase efficiencies, and avoid duplication of effort.

The State contracted with Moss Adams LLP to conduct an audit of the rates set by DGO's ISF divisions. To examine the efficiency, effectiveness, and economy of ISF rates, this audit analyzed the following for each division:

- Whether the established rates cover the cost of the service provided by the division
- Whether the services being provided to the customer agencies are provided per federal guidelines
- Whether all federal requirements for rates are being followed
- How the rates charged by an ISF division compare to a private sector offering
- Whether there is better way to fund the service provided by each ISF division
- Appropriate performance measure(s) for the rates charged

This audit was conducted between July 2022 and December 2022 and was informed by interviews, document review, rate analysis, a customer satisfaction survey, private sector rate comparisons, and research into peer and best practices.



B. DGO ISF RATES SUMMARY

DIVISION		ITEMIZED RATE SHEET AVAILABLE FOR SERVICES PROVIDED [SEE FINDING 9]	FEDERAL REQUIREMENTS				BENCHMARKING	
			Itemized Cost Data Available to Support Rate Sheet [See Finding 10]	Itemized Revenue Data Available to Support Rate Sheet [See Finding 10]	Retained Earnings Within Allowable Levels and Timeframes at the Fund level [See Finding 11]	Federal Requirements Met	Rates Align with or are Lower than Private Sector Comparisons [See Finding 5]	Rates May be Improved through Peer-Informed Repackaging [See Finding 6]
Facilities and Construction Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No recommendations
Finance	Yes	No; insufficient information to validate compliance	No	No	Unable to be determined	N/A; no comparable private sector services could be found.	N/A; no peer state data could be found	
Fleet Operations	Yes	No; not sufficient information to validate compliance	No	Yes	Unable to be determined	Yes, except for retail rate fuel	No recommendations	
Human Resource Management	Partially, FY2022 rate sheet did not include notary services but rate has since been added to current rate sheets.	No; not sufficient information to validate compliance	No	Yes	Unable to be determined	Yes	Yes	
Purchasing and General Services	Yes	No; not sufficient information to validate compliance	No	Yes	Unable to be determined	Yes	Yes	
Risk Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Technology Services	Yes	Partial; certain itemized rate information was available to validate compliance	Yes	Yes	Unable to be determined	Yes	Yes	



C. SUMMARY OF FINDINGS AND RECOMMENDATIONS

FINDINGS AND RECOMMENDATIONS		
Internal Service Fund Processes		
1.	Finding	DGO ISFs operate with significant variation and do not share a common framework for administering many important aspects of ISFs.
	Recommendation	DGO should develop a unified framework for administering ISFs across the department. Within this framework, DGO should establish explicit organizational goals for ISFs and create common policies and procedures for administering ISFs, especially in areas of rate packaging and establishment.
2.	Finding	The current rate setting timeline requires divisions to anticipate costs and demand for services approximately a year in advance, which negatively impacts ISF customer experience and the quality of rates.
	Recommendation	The rate-setting process should be revised so that rates better reflect the costs of service. To support this effort, the State should consider delaying rate submission and approval to provide ISFs with additional time to consider trends that impact services costs and demands.
3.	Finding	Some internal service charges are currently processed without requiring state agency customers to receive and approve invoices that clearly list the volume and cost for services rendered. This undermines customer confidence in the accuracy of charges for service and presents inefficiencies in governing the demand for services.
	Recommendation	DGO should increase institutional trust by amending its internal service charge system by requiring all customers to receive and approve an itemized invoice from each ISF before payments are processed.
4.	Finding	DGO has not yet established a framework of performance measurement to assess and improve the quality of ISF rates.
	Recommendation	<ul style="list-style-type: none">a. DGO should establish a performance measurement framework for ISF rates that incorporates metrics related to the customer experience and cost recovery, and regularly collect data to assess the quality of its rates for service.a. Integrate performance measures into internal communications and ongoing cycles of continuous quality improvement.
Rate Competitiveness and Packaging		
5.	Finding	In general, most ISF rates were lower or aligned with private sector rate comparisons; no comparable services were able to be assessed for Finance, and Fleet's retail rate fuel purchases were more expensive than the private sector.
	Recommendation	As part of determining the purpose and goals for ISFs, consider the role and expected performance for private sector rate comparisons.



FINDINGS AND RECOMMENDATIONS		
6.	Finding	Because DGO lacks a unifying purpose for ISFs, divisions use a variety of rate packaging methods which prioritize different goals and hinders customer satisfaction.
	Recommendation	DGO should re-evaluate its rate packaging methods by: <ul style="list-style-type: none">a. Developing a department-wide service philosophy that defines the purposes and goals of rate packaging.b. Collecting and utilizing customer feedback to identify and repackage rates to optimize customer service while still supporting operational goals and ensuring cost recovery.c. Integrate rate packaging questions into its formal customer feedback mechanism.
Service Delivery		
7.	Finding	The DGO customer survey illustrates key opportunities to better serve ISF customers, especially customer experience rates.
	Recommendation	DGO should take steps to improve ISF customer satisfaction by improving communications around rates and educating and empowering customers, especially those who have little experience with ISFs.
8.	Finding	DGO currently lacks a formal customer feedback mechanism to evaluate satisfaction with ISF services and charges.
	Recommendation	DGO should develop multiple customer feedback mechanisms to regularly collect feedback from customers on their experiences with internal service funds in support of continuous improvement.
Service Delivery and Performance Measures		
9.	Finding	DHRM's rate sheet did not contain notary service rates that were billed to the Lieutenant Governor's Office in FY 2022.
	Recommendation	DGO should implement billing controls to ensure that only services with an approved rate are billed to customers. Additionally, an annual review of the approved rate sheet should be performed at the beginning of each fiscal year to ensure that it represents the rates for all services that each ISF intends to provide that fiscal year.
10.	Finding	In most cases, sufficient detail was not available to ensure that the amounts billed for individual services were reflective of the actual costs incurred for the individual services, as required per 2 CFR 200. Therefore, federal compliance at the rate level could not be determined.
	Recommendation	<ul style="list-style-type: none">a. Affected divisions should ensure they are tracking revenue and costs at the service level to justify rates and ensure compliance with 2 CFR 200.b. DGO should evaluate potential IT solutions to streamline and optimize revenue and cost tracking in the chart of accounts to enable efficient reconciliations for each service in ISFs.



FINDINGS AND RECOMMENDATIONS		
11.	Finding	Most divisions were in compliance with the federal retained earnings requirements at the division fund level, with the exception of the Finance division. In addition, several divisions were unable to provide documentation of fiscal year end true-up to actual cost analysis to determine whether customers, the federal government, or other special revenue sources required reimbursement for overbilling.
	Recommendation	DGO should implement policies to require yearly reconciliations and subsequent adjustments as needed to reduce exposure from internal service under or overbillings to meet the retained earnings requirements with federal guidelines (i.e., 60 days operating costs).



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

In 2021, the Department of Administrative Services, the Department of Human Resources Management, and the Department of Technology Services combined into one new department, the DGO.¹ The DGO's goal is to support and enable other government agencies in the State to fulfill their core missions. Of DGO's 10 divisions, seven operate, at least in part, as an ISF.

ISFs are state entities that provide goods or services to other government agencies on a cost-reimbursement basis and recover costs through interagency billings.² By providing centralized services to other government agencies, ISFs take advantage of economies of scale, increase efficiencies, and avoid duplication of effort. The State's major ISFs operated by DGO include:

- The Division of Facilities Construction and Management (DFCM), which provides building maintenance, management, and preventative maintenance services to subscribers
- The Division of Finance (Finance), which administers the Purchasing Card (P-Card) program, and statewide travel program
- The Division of Fleet Operations (Fleet), which manages the state's vehicle fleet and fuel network
- The Division of Purchasing and General Services (Purchasing), which provides procurement and contract services and mail, copying, printing, and state and federal surplus services
- The Division of Risk Management (DRM), which provides liability, property, auto physical damage, and workers' compensation insurance coverage to state agencies, school districts, charter schools, and institutions of higher education
- The Division of Human Resource Management (DHRM), which is the employer of human resource (HR) employees that are embedded in the state's executive agencies
- The Division of Technology Services (DTS), which is the state's central service provider for information technology (IT) related activities

Rate Setting

Utah's ISFs charge customer agencies rates for services set by the legislature. ISFs are not allowed to bill other agencies for services unless the legislature has:

- Reviewed and approved the ISFs budget request
- Reviewed and approved the rates, fees, and other amounts charged for its services, and included the rates, fees, and amounts in an appropriation act
- Approved the number of full-time permanent positions and the number of full-time equivalent contract employees of the ISF as part of the annual appropriation process
- Appropriated estimated revenue based upon the rate and fee structure to the ISF²

¹ [State of Utah, S.B. 181 Department of Government Operations](#)

² [Utah Budgetary Procedures Act, Title 63J, Part 4, Internal Service Funds](#)



For an upcoming fiscal year, each ISF estimates usage of its services by customer agencies and the costs of providing those services. Using this and other information, the ISF calculates break even rates and develops proposed rates to charge for its services to other government agencies. The ISF then recommends its proposed rates to a rate committee. The rate committee, which consists of seven governor-appointed executive directors, commissioners, or superintendents of state agencies, then reviews ISF performance and proposed rate schedules. Based on this review, the committee recommends proposed rate schedules for each ISF to the Governor's Office of Planning and Budget and to each legislative appropriations subcommittee that approves the ISF's rates and budget. The committee is also responsible for reviewing and approving recommended interim rates for ISF services that are introduced between annual general sessions of the legislature.

Utah budgetary procedures do not require expenses to be equal to or less than revenues for internal service funds; instead, ISFs are allowed retained earnings, either positive or negative, that are analogous to profits and losses in the private sector. The legislature monitors retained earnings balances and may transfer excesses to the General Fund or reduce rates to customer agencies to reduce retained earnings. Federal guidelines generally limit the amount of retained earnings to 60 days of operational costs unless otherwise approved by the cognizant agency. ISFs that collect more than federal limits must rebate a portion of the excess to the federal government. On the other hand, subject to certain limitations, ISFs may borrow from the General Fund to eliminate negative working capital or to acquire capital assets.

To charge for services against a federal grant, ISFs must adhere to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (referred to as the Uniform Guidance) located at 2 CFR 200. Specifically, Appendix V³ to 2 CFR Part 200 includes specific guidance related to State Central Service Cost Allocation Plans and ISF charges. Some of the requirements listed in Appendix V related to ISFs include a 60-day limitation on retained earnings and the need to separately account for all revenues, expenses, and retained earnings for each service. Within the State's Statewide Cost Allocation Plan (SWCAP), each ISF must include a description of each service, a balance sheet for each fund, a revenue/expense statement, a description of the procedures used to charge services to users, a description for how billing rates are determined, and a schedule comparing total revenues to allowable costs at the fund level with an explanation of how variances will be handled. Appendix C includes a complete summary of federal requirements that relate to ISFs.

B. SCOPE AND METHODOLOGY

The State contracted with Moss Adams to conduct an audit of the rates set by DGO's ISF divisions. To examine the efficiency, effectiveness, and economy of ISF rates, this audit analyzed the following for each division:

- Whether the established rates cover the cost of the service provided by the division
- Whether the services being provided to the customer agencies are provided per federal guidelines
- Whether all federal requirements for rates are being followed

³ [Appendix V to Part 200 – State/Local Governmentwide Central Service Cost Allocation Plans](#)



- How the rates charged by an ISF division compare to a private sector offering
- Whether there is better way to fund the service provided by each ISF division, including rate repackaging
- An appropriate performance measure for the rates charged

The audit was conducted under standards set forth by the American Institute of Certified Public Accountants. The engagement took place between July 2022 and December 2022 and was informed by interviews, document review, rate analysis, a customer satisfaction survey, private sector rate comparisons, and research into peer and best practices. The project consisted of four major phases:

1. **Project Initiation and Management:** This phase concentrated on comprehensive project planning and management, including identifying interview participants, identifying documents to review, establishing a rate analysis methodology, communicating results, and regular reporting on project status.
2. **Fact Observation:** This phase included interviews, conducting a customer satisfaction survey, document review, rate analysis, and best practice research. We worked with division and DGO leadership to obtain the most currently available information and insights.
 - **Interviews:** We conducted interviews with leadership and finance staff from each of the ISFs.
 - **Customer Survey:** ISF customers were invited to participate in a confidential survey that asked about their satisfaction with rates, predictability, and services provided. Of the 323 survey requests received, we collected 134 responses (a 41% response rate). Complete survey results are included in [Appendix B](#).
 - **Document Review:** We reviewed documents that included policies and procedures, rate schedules, service inventories and descriptions, and various financial reports including direct cost reports, labor reports, and revenue reports.
 - **Rate Analysis:** We reviewed approved FY 2022 division rate sheets, as well as transaction-level cost and revenue source data, then worked to tie billed revenue to actual costs incurred down to the lowest possible level.
 - **Private Sector Rate Comparisons:** We compared ISF rates for services to comparable private sector rates for similar services.
 - **Peer Benchmarking:** We compared each of the ISF's rates to other state agencies to evaluate the potential for rate repackaging.
 - **Best Practice Research:** Based on the opportunities for improvement identified, we conducted research to ascertain relevant best practices related to the administration and operation of ISFs.
3. **Performance Assessment:** Based on the information gathered, we evaluated the importance, impact, and scope of our findings to develop recommendations designed specifically to improve operations of the ISFs.
4. **Reporting:** This phase concluded the project by providing a report to DGO leadership.



III. FINDINGS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, rate analysis, and surveys as well as comparisons to best practices, we prepared the following comprehensive set of findings and recommendations. Findings and recommendations are grouped into four thematic areas: internal service fund processes, rate packaging and benchmarking, service delivery and rate compliance.

A. INTERNAL SERVICE FUND PROCESSES

Internal Service Fund Policies and Procedures

1.	Finding	DGO ISFs operate with significant variation and do not share a common framework for administering many important aspects of ISFs.
	Recommendation	DGO should develop a unified framework for administering ISFs across the department. Within this framework, DGO should establish explicit organizational goals for ISFs and create common policies and procedures for administering ISFs, especially in areas of rate packaging and establishment.

Although DGO has established policies and procedures, it lacks a unified framework for administering ISFs. Until July 2021, Administrative Services, Human Resource Management, and Technology Services were housed in fully separate departments and therefore operated their ISFs independently. DGO's recent creation presents an opportunity to establish a unified framework for its ISFs, including a clear definition for the purpose of ISFs and common policies and procedures.

The current operations and strategies of ISF divisions are generally disparate. Although divisions have common organizational features due to their shared department, they employ largely separate frameworks for the provision of internal services, rate packaging, rate-setting, and other aspects of ISF administration. In the absence of a unifying set of goals, policies, and procedures for ISFs, divisions have varying levels of detail included in rate sheets and services offered. Additionally, divisions have prioritized different aspects of operating an ISF, such as demonstrating value in comparison to private sector offerings, reflecting the cost of services, or controlling the demand for services. Although the diversity of services provided by DGO ISFs requires a reasonable degree of operational and strategic variation between divisions, ISFs should be centered upon a common, department-wide framework of ISF goals and aligned policies and procedures.

Even before shared internal services are priced, the Government Finance Officers Association (GFOA) recommends that governments explicitly define the purpose and philosophy of ISFs. Pricing internal services using ISFs can serve a variety of organizational goals, including governing demand for services, bolstering competition in delivering services, and assessing the financial value of shared services.⁴ The successful operation of ISFs requires defining what signifies success, which can only be done by explicitly establishing the organizational goals of ISFs. Defining the purpose of an ISF

⁴ GFOA Best Practices: Pricing Internal Services. <https://www.gfoa.org/materials/pricing-internal-services>



then informs policies, procedures, and performance measures for ongoing monitoring and evaluation. For example, if the goal of an ISF is primarily to obtain reimbursement from federal grants or other special revenue sources, a low level of detail in rates would suffice and result in less administrative complexity; however, if the goal is to control the demand for services, a higher level of detail for each service and rate would be appropriate, but would result in administrative complexity.

After determining the goals of ISFs, the GFOA recommends that shared service organizations develop policies that define methods to determine the appropriate level of costing detail for services, calculate the full costs of services, and decide the bases of allocation. Allocation of costs should consider customer usage, benefits received by customers, fairness, and legal limitations.⁵ DGO should develop and adopt a shared set of policies and procedures that provide a unified foundation for administering all ISFs. At a minimum, these policies and procedures should establish the purpose(s) of ISFs along with guidelines for calculating costs, packaging rates, setting rates, and updating rates. Divisions should utilize a consistent framework for providing services and common principles for establishing rates for services. Common policies and procedures can provide divisions with the flexibility to address their specific needs in providing unique services, while still providing controls. These controls can help ensure that divisions follow ISF best practices and guidelines for federal awards, which can reduce the risk of needing to return funds to the federal government.

Policies and procedures help employees understand expectations and perform processes consistently across locations and over time. By establishing expectations for services and rates, ISF policies and procedures can bolster operational and strategic coherence across divisions. This common framework for ISF administration can improve outcomes, increase customer transparency, and help communicate with and inform the Rate Committee that recommends the approval of ISF rates to the legislature.

A unified framework for ISFs can increase transparency for internal service customers. Organizational and operational consistency across ISFs make it easier for customers to navigate internal services and interface with DGO divisions about services and associated costs. Common purposes and explicit principles for establishing rates for service can help to assure customers that ISF charges are well-founded and appropriate to fulfill their needs. As noted previously, rates should be methodically determined through common processes as appropriate for the types of services provided by each division. GFOA notes that some of the biggest risks for internal services center on customer distrust of internal service providers.⁶ Establishing common policies and procedures for ISF services and rates proactively supports trust in customer relationships.

This ISF framework can also be leveraged to inform decision-makers on how best to govern ISF services and rates. Establishing this framework provides explicit standards for ISF administration. DGO leaders can leverage these standards, along with the justifications for these standards, to help communicate how legislators and other decision-makers should best govern internal services.

Once the common framework is developed, it should be available in a centralized location, such as an intranet, for employees to easily reference. DGO should also consider publishing this framework externally, especially for facilitating communication to decision-makers and customers.

⁵ GFOA Best Practices: Pricing Internal Services. <https://www.gfoa.org/materials/pricing-internal-services>

⁶ GFOA Best Practices: Pricing Internal Services. <https://www.gfoa.org/materials/pricing-internal-services>



Once established, DGO should effectively convey this new framework across the department. Employees should receive communications and training on this framework, especially around how these new standards impact their work. DGO should actively work with the leaders of each division to gain buy-in and support to implement and enforce policies consistently. Without sponsorship from division leaders, DGO will face difficulties administering a unified vision for ISFs. As procedures evolve over time, training should be revised and redelivered to ensure consistency.

Well-developed, explicit, and properly applied ISF purposes, policies, and procedures can create a common framework for administering ISFs across the department. This shared foundation will promote organizational coherence, improve outcomes, increase transparency, and enhance communication.

Rate Setting Timeline

2.	Finding	The current rate setting timeline requires divisions to anticipate costs and demand for services approximately a year in advance, which negatively impacts ISF customer experience and the quality of rates.
	Recommendation	The rate-setting process should be revised so that rates better reflect the costs of service. To support this effort, the State should consider delaying rate submission and approval to provide ISFs with additional time to consider trends that impact services costs and demands.

The State’s current rate setting timeline creates difficulties for ISFs and their customers. Currently, DGO divisions calculate and propose rates in August and must wait nearly a full year for these rates to be implemented the following July, after legislative approval. These new rates are then in effect for the entirety of the fiscal year. This means that each division must propose rates for a time period that stretches 22 months after submission.

This delayed rate-setting process makes it difficult for rates to reflect costs. According to Uniform Guidance, rates should allow an ISF to break even; rates that create excess earnings should be lowered and rates that create deficits should be increased over time. If the costs to provide a service change, or if the volume of service is higher or lower than anticipated, the state’s rate-setting timeline prevents divisions from responding to these changes by their operationally appropriate response—adjusting their rates.

In addition to the myriad of microeconomic factors that may change costs during any given 22-month period, current macroeconomic trends have upended the price stability that defined the previous decade. The COVID-19 pandemic and ensuing monetary and fiscal policy interventions have complicated supply chains and greatly increased inflationary pressures. Now, more than ever, the State’s timeline can create difficulties for establishing effective rates, particularly as it relates to maintaining employee salaries for ISF positions, as the cost of living increases at the highest rate in four decades.⁷

⁷ Rugaber, Christopher. “US inflation at new 40-year high as price increases spread.” AP News. June 10, 2022.



Inaccurate cost-recovery can create problems due to rate cross-subsidization, in which an ISF's revenues from providing one service are used to subsidize the provision of another service. This distorts the quasi-market signals that rates send to customers, which can result in an uneconomical level of service utilization. If a rate is artificially low because it does not recover sufficient costs, customers may purchase more of that service than is economically efficient. If a rate is artificially high because it subsidizes another rate, customers may purchase less of that service than is economically efficient. Cross-subsidization can also create issues with federal grants; Uniform Guidance explicitly states that billings rates used to charge federal awards must be based on the estimated costs of providing the services.⁸ As reported in our analysis, several divisions rely heavily on cross-subsidization of rates in order for the ISF as a whole to break even.

The inflexibility of the rate-setting timeline also creates risks for ISF customer experience. In addition to customers inadvertently under- or over-utilizing ISF services, delayed rate changes may sow distrust between customers and divisions. GFOA lists customer dissatisfaction and skepticism as major risks when pricing internal services. Rates that do not reflect costs may reflect customers' perceptions that rates are unreasonable or that ISF's rate-setting practices are self-serving or opaque.

The State should consider accelerating the cadence of rate submission and approval. Even without any structural changes to the rate-setting process, increasing the rapidity of rate submission and approval can improve many of the issues outlined above to some degree. Although rates are proposed in August, the State has until January to submit its cost allocation plan to the federal government based on its fiscal year cycle. Shortening the gap between rate calculations and rate revisions can increase the accuracy of charges for service based on anticipated demand and operating costs.

Utah's current rate setting process has important shortcomings that limit the ability of ISFs to implement optimal cost recovery and customer service practices. By reducing the gap between cost changes and rate changes, the State can improve the quality of its ISF rates and the experience of ISF customers. The process for obtaining rate adjustments should be documented in policies and procedures.

Customer Invoicing

3.	Finding	Some internal service charges are currently processed without requiring state agency customers to receive and approve invoices that clearly list the volume and cost for services rendered. This undermines customer confidence in the accuracy of charges for service, and presents inefficiencies in governing the demand for services.
	Recommendation	DGO should increase institutional trust by amending its internal service charge system by requiring all customers to receive and approve an itemized invoice from each ISF before payments are processed.

⁸ [Appendix V to Subpart 200; Section G.2](#)



DGO's payment processes do not always require customers that are state agencies to approve invoices before payments to ISFs are processed. This lack of customer involvement in ISF payments poses significant customer service difficulties.

Currently, DGO customer approval is not always required for ISFs to charge for services. ISFs can prepare invoices and submit them to Finance, and then automated transfers are processed through the State's Enterprise Resource Planning system (ERP). Although this procedure may be efficient, bypassing customer consent to payments poses reputational risks to DGO and operational risks to the State by decreasing customer trust in the internal services charging system.

Customer trust in ISF charges is an area of weakness for DGO, which can only be exacerbated by not requiring customer approval for charges. On a five-point scale, DGO customers rated ISF charge accuracy between 3.4 and 4, for an average score of 3.81 in the customer survey. Although customers clearly regard ISF charges as more accurate than not, customer trust in the accuracy of charges is a domain that can be improved. This is particularly true for DTS.

Although customers are capable of reviewing charges for accuracy after they have been processed, this can lead to a fractious relationship between ISFs and customers. Asking customers to ensure accuracy by scouring already-processed payments creates a dynamic in which customers are disputing charges, rather than consenting to them.

Effective internal service charge systems rely on trust. GFOA lists three customer satisfaction problems that constitute severe risks for internal services, each of which centers on the level of institutional trust in internal service charges:⁹

- **Distrust between ISFS and Customers:** If there is insufficient communication around charges, ISFs risk increasing reputational harm and decreasing intraorganizational trust.
- **Undermining the Shared Services Model:** If customers distrust ISF charges, or if they believe that ISFs are inappropriately overcharging for services, customers may seek to develop their own capacity to provide ISF services. Duplicating services undermines a key principle undergirding and justifying internal service provision.
- **Inefficient Controversy:** If customers distrust ISF payments, they may spend excessive time and energy wrangling over the payment process instead of their operational goals, which risks reducing the quality of intragovernmental services and services provided to Utahns.

DGO should amend its internal service charge system to increase institutional trust, requiring customer receipt and approval of invoices before payments are processed. Although this may increase the lag between when ISFs provide services and receive funds, the lost efficiency will be insubstantial when compared to the utility gained from increased organizational trust.

⁹ GFOA Best Practices: Pricing Internal Services. <https://www.gfoa.org/materials/pricing-internal-services>



Performance Measures for Rates

4.	Finding	DGO has not yet established a framework of performance measurement to assess and improve the quality of ISF rates.
	Recommendation	<p>A. DGO should establish a performance measurement framework for ISF rates that incorporates metrics related to the customer experience and cost recovery, and regularly collect data to assess the quality of its rates for service.</p> <p>B. Integrate performance measures into internal communications and ongoing cycles of continuous quality improvement.</p>

DGO has not yet established a framework of performance measurement for its ISF rates. Without purposeful processes and systems in place to assess functionality and customer satisfaction, staff may be forced to rely on informal feedback and anecdotes to understand the performance of ISF rates. Although anecdotes can be useful, they are not objective or comprehensive enough to measure performance reliably or accurately.

Like other aspects of strategic operations, ISF rates and rate-setting should be administered within a formal framework of continuous quality improvement. Objective data is the cornerstone to such a framework, which is recurrently used in a cycle of assessment and improvement to persistently improve operations; however, before this data can be collected and utilized, appropriate and useful metrics must be identified.

DGO should regularly collect data on ISF rates to measure and improve performance. Performance metrics should focus on two vital aspects of ISFs: customer experience and cost recovery.

Customer Experience

The strategic justification for shared internal services lies in the benefits that organizations derive from the establishment of an internal, quasi-market system of producing and consuming services. On the supply side, shared services take advantage of economies of scale and reduce duplication of effort across a government. On the demand side, customer agencies can focus more on providing their specialized services instead of providing all internal services. By pricing rates for service, governments establish a quasi-market system in which suppliers recover costs, and these costs provide price signals to consumers to steer the efficient use of government resources.

The experience of customers on the demand side of this system is just as vital to effective internal services as the provision of services on the supply side; one cannot exist without the other. Consequently, internal service providers can only optimize performance by providing a superb customer experience.

DGO should adopt performance measures to regularly assess customer experience with rates. Ideally, customers should be able to navigate DGO services and rates just as well as if they were provided within their own agencies. To this end, DGO should develop specific metrics to assess the ISF customer experience. These metrics can include the following:

- The degree to which customers fully comprehend the range of services provided by each ISF



- The extent to which customers understand the rates for the full range of ISF services
- Customers' abilities to reliably and accurately forecast the costs they incur for internal services
- Customers' confidence that they are consistently charged accurately for all services
- The degree to which customers understand the methodology for how rates are determined

Cost Recovery

Generally, an internal service rate should recover the costs incurred to provide the service; this is a requirement for rates that are applied to and reimbursed by federal awards. Realistically, cost recovery is never going to be perfect—some variance is expected. However, ISFs should aim to set rates so that they recover costs but do not generate excessive retained earnings.

As noted in Recommendation No. 2, DGO should utilize a quantitative measure to regularly assess the performance of individual rates in cost recovery. The Department can utilize a simple ratio to measure this:

$$\frac{\text{Service Earnings}}{\text{Service Expenses}}$$

By examining this ratio, DGO can determine how well rates are recovering costs. A ratio of 1:1 would mean that rates are perfectly set to recover costs without any retained earnings. A ratio greater than one would indicate that rates recover more than costs. A ratio less than one would mean that rates do not recover the full costs of service. This metric can be used to assess rate performance at all levels of department operations. This ratio can be measured for each individual rate (e.g., State Mail Auto Tab), each set of rates (e.g., State Mail Production), each division (e.g., Purchasing), and for all DGO rates.

Because ISFs can plan for multi-year investments and long-term break-even, DGO should examine this metric across multiple years. This ratio should be examined over one-year, three-year, and five-year periods. The DGO and its divisions can use this metric to understand the short-term fluctuations in cost recovery that may reasonably deviate from organizational goals or significant initiatives. They can also use this metric to measure the degree to which long-term cost recovery meets organizational targets.

To efficiently use this performance measure, DGO should establish qualitative ranges that define what this quantitative metric signifies about cost recovery. An example of such a qualitative range is listed below.

RATE-SPECIFIC COST RECOVERY RANGE EXAMPLE				
Unacceptable	Caution	Acceptable	Caution	Unacceptable ¹⁰
≤0.84	>0.84 and ≤0.95	> 0.95 and <1.05	≥1.05 and <1.16	≥ 1.16

¹⁰ 1.16 is used as an example for the "Unacceptable" upper range to account for the federal 60-day limit of retained earnings (425/365 = 1.16). As explained in the text, this upper limit will vary depending on organizational goals and existing levels of retained earnings.



Because variance is expected, ranges help decision-makers interpret the significance of performance measures. These ranges can and should be adjusted based on organizational goals and divisions' levels of retained earnings. For example, if a division is nearing a breach of the 60-day federal limit of retained earnings, ranges can be adjusted downward to reflect the organizational need for less retained earnings.

Effectively implementing this cost recovery metric requires the capacity to track all service earnings and expenses accurately and reliably. Because DGO's ISFs are not currently tracking expenses and revenues at the serve level in their financial system, it is imperative that the Department develop this capacity prior to adopting and implementing this performance metric.

Communication and Continuous Quality Improvement

As DGO utilizes both customer experience data and cost recovery data to assess the performance of rates, it should internally publish these key metrics. GSA Shared Services best practices emphasize the importance and utility of using performance metrics to measure and communicate organizational improvement efforts.¹¹

Internally publishing these performance metrics can increase transparency, improve communications, and assist in the cycle of continuous quality improvement. Customer experience metrics can inform agencies on DGO's efforts to improve rates and service delivery. Cost recovery metrics can inform legislators and other decision-makers of the need for rates to recover service costs, and can illustrate the extent to which current rates accomplish this goal.

Performance measures on customer experience and cost recovery should also be regularly used to optimize service rates through cycles of continuous quality improvement. This data should be regularly collected, analyzed, and utilized to inform quality improvement efforts. As DGO implements organizational changes to improve the performance of rates, this data should be used to monitor the efficacy of these efforts. Where data show progress, corresponding organizational changes should be sustained. Where data show weakness, processes should be revised or further clarified.

DGO should evaluate the utility of the information and insights derived from these performance measures on an annual basis. If certain metrics appear to be delivering insufficient, inaccurate, or unactionable information, these metrics should be changed or new metrics should be developed in order to better inform assessments of rate performance.

¹¹ GSA Shared Services, M3 Playbook Best Practices, <https://ussm.gsa.gov/1.6/#BestPractice>



B. RATE COMPETITIVENESS AND PACKAGING

Rate Competitiveness

5.	Finding	In general, most ISF rates were lower or aligned with private sector rate comparisons; no comparable services were able to be assessed for Finance, and Fleet's retail rate fuel purchases were more expensive than the private sector.
	Recommendation	As part of determining the purpose and goals for ISFs, consider the role and expected performance for private sector rate comparisons.

Prices for DGO services were compared to those of private sector organizations for benchmarking. This private sector benchmarking serves to evaluate the competitiveness of DGO services. For almost every service that was examined in every division, prices for services are either aligned with or are lower than comparable private sector services.

PRIVATE SECTOR RATE BENCHMARKING	
Division	Cost Alignment with Private Sector
DFCM	<ul style="list-style-type: none"> Costs are considerably lower than the private sector
Finance	<ul style="list-style-type: none"> Moss Adams was unable to identify private sector comparable services for neither P-Card nor travel-related services. Leadership from the Division of Finance noted that such a comparison is likely unfeasible based on the structures of the services provided.
Fleet	<ul style="list-style-type: none"> Maintenance and repair mileage costs and fuel network costs are lower Daily motor pool rates are aligned with private sector costs Retail rate fuel purchases are more expensive than private sector costs
DHRM	<ul style="list-style-type: none"> Costs for each service are considerably lower than comparable private costs
Purchasing	<ul style="list-style-type: none"> State surplus and cooperative contract costs are considerably lower than in the private sector State mail costs vary, but are predominantly aligned with or are lower than private sector costs
DRM	<ul style="list-style-type: none"> Premiums for auto, liability, and property insurance are considerably lower than comparable private insurance
DTS	<ul style="list-style-type: none"> Costs for all services are comparable to or are lower than similar private sector services

Although private sector competitiveness can be a core goal of Internal Service Funds, the need to demonstrate price comparability with other service providers can impact the ability of ISFs to create rates that comply with federal requirements and reflect the cost of providing services. Private sector organizations have greater flexibility in price setting and often apply strategic pricing for services that allow them to enter a market, with prices for related services compensating for initial discounts. DGO should consider the role of private sector comparisons in shaping the goals of its ISFs and rate structures.



Rate Repackaging

6.	Finding	Because DGO lacks a unifying purpose for ISFs, divisions use a variety of rate packaging methods which prioritize different goals and hinders customer satisfaction.
	Recommendation	DGO should re-evaluate its rate packaging methods by: A. Developing a department-wide service philosophy that defines the purposes and goals of rate packaging. B. Collecting and utilizing customer feedback to identify and repackage rates to optimize customer service while still supporting operational goals and ensuring cost recovery. C. Integrate rate packaging questions into its formal customer feedback mechanism.

Internal service funds have considerable flexibility around how their services and rates are packaged. Although not advisable, every single service that an ISF provides can be listed with its own unique rate. Conversely, many services can be packaged together into a group of services provided for a single rate. DGO divisions currently utilize a wide variety of packaging methods. For example, DTS offers a large menu of à la carte services, while DHRM unifies many services it provides into a single rate for “HR Services.” DGO should consider how it packages rates for service, utilizing a unified, coherent service philosophy to optimize customer service while still supporting operational goals and encouraging cost recovery.

Rate packaging is a difficult task for ISFs due to the many objectives that effective packaging must balance and support. Rates must be packaged in a way that successfully defines services so that customers fully understand the services they receive. Rates must be simple enough for customers to navigate while still allowing them to customize the services they purchase for their unique needs and contexts. Finally, rates must also be packaged in a way that is conducive to cost recovery and does not result in some rates subsidizing others.

The results of the DGO customer survey emphasized that customers have difficulties navigating ISF rates. Across every division, customers consistently noted that they are less satisfied with ISF rates than they are with the quality of services ISFs provide. Many customers noted difficulties understanding and being able to anticipate the costs of services.

DGO CUSTOMER SURVEY DIVISION AVERAGES							
Customers Consistently Note Less Satisfaction with Rates than Quality of Services (Scores are on a 5-Point Scale)							
	DFCM	Finance	Fleet	DHRM	Purchasing	DRM	DTS
Quality of Services	4.14	4.35	4.21	4.20	4.14	4.29	3.89
Satisfaction with Rates	3.77	3.77	3.73	3.68	3.72	3.83	3.35



Methods and Considerations for Evaluating Rate Packaging

DGO should comprehensively evaluate how its rates are packaged and develop and utilize a consistent, department-wide philosophy on how best to package rates. Rates should be repackaged for user-friendliness, understandability, and accessibility, while still facilitating cost recovery.

As noted previously, DGO should first develop a departmental philosophy on the purpose and goals of its ISFs, which then informs rate packaging decisions. Although divisions provide a wide variety of services which may necessitate a variety of rate packaging methods, the current diversity of rate packaging reflects the disjointed, disparate service philosophies of divisions operating as separate organizational units. As DGO is developing unified policies and procedures (see [Recommendation 1](#)), it should develop a service philosophy for rate packaging, defining for all divisions the purposes and goals for how rates are packaged to achieve a common goal. This philosophy will not only help the DGO steer rate repackaging efforts, but it will also provide customers with a way to uniformly interpret rate design across the department. Packaging may vary for different types of services, but these packaging methods will be consistently grounded in unified service principles.

DGO should then work with customers to help identify rates that should be repackaged. The Department should utilize focus groups, surveys, and/or other feedback mechanisms to identify services and rates that would better serve customers if they were repackaged. This customer feedback may indicate that some rates would be easier for customers to navigate if they were grouped together, and that other rates may better serve customers if they were disaggregated. DGO should then utilize this customer feedback to redesign rates, ensuring that these rates are repackaged in alignment with its departmental service philosophy.

DGO should integrate rate packaging questions into its formal, regular customer feedback mechanism (see [Recommendation 7](#)). Like with other domains of customer feedback, DGO should utilize this rate packaging information in a cycle of data-driven continuous quality improvement. Regularly collecting feedback on, evaluating, and revising rate packaging can ensure that ISFs are packaging rates in ways that best serve the needs of customers.

State Benchmarking Results

In addition to customer input, the methods that other states utilize to package their services into rates can provide useful insight to inform how DGO ISFs can best package rates to serve customers. Based on a review of 14 other states' ISF rates, while rate packaging exhibited significant variation, there was some commonality in packaging methods, along with some novel and useful packaging, that could be used to inform DGO's rate packaging efforts.

In total, 14 other states' ISF rates were analyzed for peer benchmarking. The number of states available for analysis varied significantly by division. For Finance, no other state ISF rates could be identified. Across every type of internal service, there was no clear peer consensus on how best to package rates. Although some states used common methods for certain services, state packaging consistently varied in each domain of internal service; however, there were some important peer differences in rate packaging methods that can be used to improve DGO's rates. A summary of these recommendations is presented below. More detailed information on rate packaging for each division can be found in [Section IV](#) of this report. Detailed information on other states' rate packaging methods can be found in [Appendix A](#).



PUBLIC SECTOR RATE BENCHMARKING		
Division	Peer States Reviewed	Recommendations for Repackaging
DFCM	5	None
Finance	None Identified	N/A
Fleet	8	None
DHRM	8	FTE vs. Employee Headcount: DHRM should examine whether its rates should be charged by FTE or by number of employees Rates by Employee Type: DHRM should examine whether its rates should differentiate between full-time vs. part-time, temporary, and seasonal employees Investigations: Examine whether the division should charge separately for investigations performed for executive branch agencies to better reflect the cost of performing employee investigations
Purchasing	6	Central Mail Rates: Consider a rate per delivery stop, per-hour courier labor fee, and/or uniform courier rate across zones
DRM	8	Consulting Fees: Consider whether the division should charge an hourly internal consulting fee to executive branch agencies
DTS	8	IT and Application Maintenance Tiered Rates: Consider providing additional information to customers to make these rates more user-friendly Desktop Services: Consider offering multiple tiers of desktop support services Print services: Consider whether DTS should offer print services

C. SERVICE DELIVERY

Customer Experience

7.	Finding	The DGO customer survey illustrates key opportunities to better serve ISF customers, especially customer experience rates.
	Recommendation	DGO should take steps to improve ISF customer satisfaction by improving communications around rates and educating and empowering customers, especially those who have little experience with ISFs.

Moss Adams administered a survey to DGO customers to assess their experiences with its ISFs. This survey focused on the quality of services, user experience and levels of satisfaction with service rates, and overall impressions of ISFs. In total, 134 ISF customers provided feedback via the survey (a 41% response rate).



Most actionable insights from the survey's quantitative results can be derived by the relative differences between divisions' results, rather than the absolute values of responses. Detailed information on findings for each division's service delivery can be found in [Section IV](#) of this report. Complete survey results are also included in [Appendix B](#). There are, however, a few important generalized observations for that can be derived from the data.

Improving Communications Around Rates

Customers indicate that the services they receive from ISFs are of mostly good quality. Although there is variation between divisions, on average, customers rated the quality of services they receive as a 4.17 on a five-point scale. This is also reflected in customers' overall ratings of ISFs, which averaged a score of 4.10. Although this indicates that there is room for improvement, these results indicate that customers are generally satisfied.

Within all divisions, however, customers consistently regard their satisfaction with rates lower than the quality of services they receive. On average, customer experience with rates scored a 3.69. This relatively lower score indicates that rates are a domain that detracts from customers' overall impressions of ISFs. The areas of customer experience that related to rates with the lowest scores were a) understanding how rates are determined (3.49), and b) knowing what rates are or how to find them (3.64).

DGO should take special care to communicate with customers proactively and transparently around rates and services. Many customers are unlikely to have the requisite organizational or technological expertise to fully understand the extent of the services they receive, why the costs for these services may differ from their expectations, or how ISF rates are developed and evolve over time. In these communications, DGO should emphasize the following:

- **Transparency in Rate Development:** DGO should take special care to communicate with its customers around how it establishes its rates for services. DGO should proactively provide this information to customers whenever rates are set or are changed, at a minimum. DGO should also create customer self-reference materials that explain how its rates are established.
- **How to Find Rates:** In its communications, DGO should assume that some of the customers do not know how to find rates for the services that the department provides. DGO should consider regularly reminding customers how to search for rates.
- **Reasonableness of Costs and Extent of Services:** Although DGO costs are aligned with or cheaper than comparable private costs, customers may not understand, for example, that a device purchased from an online retailer does not come with the necessary security or support services provided by DTS. Customers can only understand the value of costs if they understand the full range of services they receive.

Educating and Empowering Customers

For almost all divisions, customers who rarely interact with divisions note lower levels of service quality and lower levels of satisfaction with rates than customers who frequently interact with divisions. This is an expected understandable result as customers grow in their understanding of DGO divisions and services over time; however, this also indicates that DGO can increase overall customer satisfaction by targeting customers who rarely interact with ISFs. These customers may not understand the range of services that ISFs provide or may be unfamiliar with how ISFs charge for services. Efforts to educate and empower this subsection of ISF customers and thereby raising their below-average levels of customer satisfaction can boost overall levels of customer satisfaction. DGO



should consider developing self-service reference materials, trainings, or other educational efforts to increase this customer subgroup’s knowledge of and exposure to ISFs.

Customer Feedback

8.	Finding	DGO currently lacks a formal customer feedback mechanism to evaluate satisfaction with ISF services and charges.
	Recommendation	DGO should develop multiple customer feedback mechanisms to regularly collect feedback from customers on their experiences with internal service funds in support of continuous improvement.

DGO lacks a formal customer feedback mechanism to understand customer pain points and evaluate customer satisfaction with services and rates. Regular customer feedback is an important contributor to ongoing service improvement and customer satisfaction. By soliciting customer feedback on a regular basis, the Department will be able to identify potential issues and proactively address customer needs.

The DGO customer survey indicates there are clear opportunities for improving customer satisfaction with the quality of ISF services and rates. Although some divisions show greater need for improvement than others, all divisions have room to improve their customer experience. As previously noted, GFOA best practices indicate that customer trust is key to establishing effective internal services.

The DGO should develop multiple, formal customer feedback mechanisms to regularly collect feedback from customers on their experience with ISFs. These feedback tools should measure satisfaction with the quality of services provided by ISFs, satisfaction with ISF rates and charges, and overall satisfaction with ISFs.

DGO staff should work to identify realistic and meaningful ways to request, collect, and analyze feedback from customers on their experiences. These could be short surveys sent at the end of certain types of service activities to understand what worked well and what, if anything, the customer would like to improve. Additionally, the DGO could conduct a survey of all customers on a regular (e.g., annual or biannual) basis to solicit feedback and track progress on customer satisfaction. Feedback processes should be easy, relatively short, and provide data that gives clear and meaningful guidance.

Mechanisms for feedback should focus on specific, actionable items that are within divisions’ power to change. The DGO should conduct a work session to identify what elements of ISF processes could benefit from feedback and customer experience evaluations, structure the feedback to be collected in a way that allows staff to easily collect the data and transform the data into useful information that can clearly identify both positive feedback and potential opportunities for improvement.

Workgroups within each DGO division should convene on a quarterly basis to review feedback and identify potential improvements to feedback processes. This will support customer success and promote a culture of continuous improvement.



Following these reviews, each division should develop an improvement plan that outlines how it plans to address the opportunities for improvement it has identified. Both the feedback results and improvement plan should be internally published so that they are accessible to customers. Effectively communicating results provides the DGO with an opportunity to demonstrate progress in serving customers and how it will address feedback. Transparency in the process further improves customer service because customers understand that their concerns are being heard and addressed.

D. RATE COMPLIANCE

Itemized Rate Sheet

9.	Finding	DHRM's rate sheet did not contain notary service rates that were billed to the Lieutenant Governor's Office in FY 2022.
	Recommendation	DGO should implement billing controls to ensure that only services with an approved rate are billed to customers. Additionally, an annual review of the approved rate sheet should be performed at the beginning of each fiscal year to determine whether or not it represents the rates for all services that each ISF intends to provide that fiscal year.

In our review of the service revenue data provided by DHRM, we noted that \$67,886.00 of revenue had been collected for notary services provided to the Lieutenant Governor's Office throughout FY2022. This gap in the approved rate sheet and recorded service revenue was identified and has since been addressed and incorporated into DHRM's rate sheet for the current fiscal year.

The following table summarizes the impact to each division:

Division	An Approved Rate Sheet was Available with Rates for All Billed Services
DFCM	Yes
Finance	Yes
Fleet	Yes
Human Resource Management	No – FY2022 rate sheet did not include notary services but rate has since been added to current rate sheets.
Purchasing	Yes
DRM	Yes
DTS	Yes



Itemized Rate Support and Compliance with Federal Requirements

10.	Finding	In most cases, sufficient detail was not available to ensure that the amounts billed for individual services were reflective of the actual costs incurred for the individual services, as required per 2 CFR 200. Therefore, federal compliance at the rate level could not be determined.
	Recommendation	<p>A. Affected divisions should ensure they are tracking revenue and costs at the service level to justify rates and ensure compliance with 2 CFR 200.</p> <p>B. DGO should evaluate potential IT solutions to streamline and optimize revenue and cost tracking in the chart of accounts to enable efficient reconciliations for each service in ISFs.</p>

In our review of the provided available cost support, five of the seven divisions reviewed lacked sufficient detail at the transactional level to track revenue and costs at the individual rate level. In all of the affected divisions, per-unit tracking was not in place for cost allocation to all provided services, which could expose divisions to the risk of being unable to reconcile service billings and provide refunds where necessary, in order to determine compliance with federal grant programs. Additionally, financial reports to evaluate service costs and revenues were often difficult for divisions to produce and included inconsistencies. For example, DTS provided several reports that differed in total amounts to support its rates and cost. Absent defined policies and procedures, a consistent chart of account structure application, and appropriate information in the State’s ERP, data extraction and analysis requires inefficient and significant manual effort.

In situations where costs were not sufficiently documented at the individual rate level, we were unable to determine whether they were appropriate, and considered the overall division’s revenues versus costs incurred for each service line. We noted in the available cost and revenue documentation that for many divisions, service lines did not appear to correspond directly to their actual operating costs. Additionally, in most divisions (with the exception of DFCM, Fleet, and DRM), the basis of allocation for overhead and administrative costs was either unclear or unsubstantiated.

The following table summarizes the impact to each division:

Division	Revenue Tracking Available at the Rate Level	Cost Tracking Available at the Rate Level
DFCM	Yes	Yes
Finance	No	No; insufficient information to validate compliance
Fleet	No	No; insufficient information to validate compliance
Human Resource Management	No	No; insufficient information to validate compliance



Division	Revenue Tracking Available at the Rate Level	Cost Tracking Available at the Rate Level
Purchasing and General Services	No	No; insufficient information to validate compliance
DRM	Yes	Yes
DTS	Yes	No; insufficient information to validate compliance

To be considered allowable, all costs must be documented with sufficient detail per 2 CFR 200 Subpart E, which outlines requirements for divisions receiving federal grants. In summary:

- All costs and data to distribute costs must be fully supported by accounting and records:
 - This means both isolating costs and appropriately tracking customer utilization of these services.
- Billing rates must be based on the estimated costs of providing the services.
- If necessary, a mid-year adjustment to rates can be made if a new service is added, or if the billed rates do not appear to be of the actual costs incurred to provide those services.

Additionally, all documented rates should align with the State's Statewide Indirect Cost Allocation plan to ensure that they are compliant with federal funding requirements. Absent further documentation, we are unable to verify compliance of the billed rates for five out of the seven divisions, as sufficient cost detail did not exist to determine if that the revenues collected for individual services provided did not exceed the actual costs of performing those individual services.

When determining rates, it is important to consider environmental factors that may impact the costs incurred or reduced revenues after the rates have been set. A major example in the past three fiscal years has been the constantly evolving COVID-19 pandemic and its effects on how work is conducted, as well as the economy as a whole. While this impacted all of the divisions covered in our review, we noted several of the following examples:

- **Purchasing and General Services:** With the move to virtual work, there was a significant reduction in the need for general print services, as many processes shifted to being facilitated digitally.
- **Finance and Fleet:** A significant reduction in travel was noted, both due to pandemic restrictions and the shift towards virtual work.
- **DTS and DFCM:** On-site work was significantly reduced, as the majority of the workforce moved towards virtual work, however this trend has begun to reverse as employees have begun to move back towards working back in-office.

As a best practice, when constructing the rates for an ISF at the beginning of a fiscal year, it is important to keep in mind the purpose of an ISF and the overarching philosophy behind its allowable rates by considering the following:

- An ISF's primary objective is to provide benefits and services to other divisions on a cost-reimbursement basis.



- Rates should not be set with the intention of making a profit, but rather recovering the cost of goods and services provided. This includes indirect costs, which should have a clearly defined basis of allocation.

Compliance with Federal Retained Earnings Requirements

11.	Finding	Most divisions were in compliance with the federal retained earnings requirements at the division fund level, with the exception of the Finance division. In addition, several divisions were unable to provide documentation of fiscal year end true-up to actual cost analysis to determine whether customers, the federal government, or other special revenue sources required reimbursement for overbilling.
	Recommendation	DGO should implement policies to require yearly reconciliations and subsequent adjustments as needed to reduce exposure from internal service under or overbillings to meet the retained earnings requirements with federal guidelines (i.e., 60 days operating costs).

We noted in the available cost and revenue documentation, that for many divisions, service lines did not appear to correspond directly to their actual operating costs. In our review of the calculated retained earnings for each division, only the finance division appeared to be in excess of the 60 days of operating costs threshold. Additionally, while four of the seven divisions informed us that they had a fiscal year end reconciliation process which involved truing up actual costs to billed revenues, none of the divisions were able to provide documentation of these fiscal year end reconciliations with proof that the billings in excess of cost were returned to customer divisions. In our review, we received extensive fiscal year end reconciliation documentation from the Facilities division, however, it did not appear that this reconciliation was used to true-up billed revenues to actual costs, instead it was used to help determine the rates for the upcoming fiscal year. This is summarized in the following table.

Division	Calculated % Retained Earnings [1]	Departmental Retained Earnings Compliant within Federal Guidelines (60 days operating costs [$<16.44\%$])	Fiscal Year End True-Up to Actuals Analysis Available
Facilities and Construction Management	5.69%	Yes	Partial; Reconciliation was provided however no documentation of revenues being trued-up to actual costs was available.
Finance	50.53%	No	No
Fleet Operations	-4.23%	Yes	No
Human Resource Management	0.18%	Yes	No



Division	Calculated % Retained Earnings [1]	Departmental Retained Earnings Compliant within Federal Guidelines (60 days operating costs [<16.44%])	Fiscal Year End True-Up to Actuals Analysis Available
Purchasing and General Services	13.77%	Yes	No
Risk Management	1.27%	Yes	No
Technology Services	-1.07%	Yes	No

While four of the seven divisions informed us that they had a fiscal year-end reconciliation process which involved truing up actual costs to billed revenues, none of the divisions were able to provide documentation of these fiscal year-end reconciliations with proof that the billings in excess of cost were returned to customer divisions. In our review, we received extensive fiscal year-end reconciliation documentation from DFCM; however, it did not appear that this reconciliation was used to true-up billed revenues to actual costs, and instead it was used to help determine the rates for the upcoming fiscal year.

- Agencies are required to do an annual reconciliation of costs and revenues, and may be required to refund programs if earnings are above the retained earning threshold.
 - The threshold for retained earnings is 60 days of operating costs.

With this in mind, it's also important to acknowledge that a portion of earnings must be retained to determine if the ISF is able to continue to function; per 2 CFR 200, the required amount is 60 calendar days of operating costs to remain compliant with federal grant guidelines.



IV. ISF ANALYSIS

A. DIVISION OF FACILITIES CONSTRUCTION AND MANAGEMENT

Rates, Costs, and Federal Guidelines

DFCM has a robust rate setting, review, and reconciliation process, which includes a full reconciliation and review for each building currently under their management as well as consideration for future needs that should be taken into account for the next fiscal year's rates. The total costs per building from the prior fiscal year plus anticipated upcoming needs are used to determine the allowable billing rate for the next fiscal year.

While DFCM has a robust rate setting and review process, improvements can be made to the reporting and tracking of retained earnings as well as the potential reallocation to customers at the close of the fiscal year. DFCM management tracks revenue and cost records individually for each of the buildings that they manage; however, documentation to determine if any retained earnings were reallocated to customers at the end of the fiscal year was not provided.

In our review, we walked through the example reconciliation provided in the files "1500 Downtown Complex General Template.xlsx" and "1500 Downtown Complex Rate Meeting 061820.xlsx" on September 22, 2022. After reviewing the reconciliation of both revenue and cost for services provided for each building, we selected an additional sample of five random buildings, recreated the reconciliation, and validated that a consistent methodology was used for all six buildings. In the six total buildings reviewed in our sample (the example building in addition to the five randomly selected buildings), we noted an overall variance of around 5.69% revenue in excess of costs. The following table summarizes the analysis:

Dept Unit No.	Building	Revenue FY2022	2021 Expense Total	2021 Personnel Total	Variance	%
1001501	Heber M. Wells	\$1,152,179.00	\$782,305.99	\$254,520.20	\$115,352.81	11.13%
1001548	ABC Park City 524 Main #36	\$10,625.00	\$5,155.65	\$2,990.63	\$2,478.72	30.43%
1001547	ABC Park City #37	\$34,752.25	\$24,272.16	\$8,218.33	\$2,261.76	6.96%
1001506	AP & P Fremont Office Building	\$192,375.00	\$146,169.96	\$65,395.31	(\$19,190.27)	-9.07%
1001503	DWS Metro Emp. Ctr.	\$252,776.00	\$177,548.85	\$74,955.11	\$272.04	0.11%
1001507	Utah State Office of Education	\$410,669.00	\$281,063.04	\$120,153.93	\$9,452.03	2.36%
	Total	\$2,053,376.25	\$1,416,515.65	\$526,233.51	\$110,627.09	5.69%

Rate Benchmarking

The rates for services provided by each division were benchmarked to private and public comparators, providing objective standards on which to evaluate the quality of these rates. Private sector benchmarking serves to evaluate the competitiveness of DFCM services. Public sector benchmarking provides a valuable comparison to evaluate how DFCM rates are designed; how other



states package their services into rates can provide useful insight to inform how DGO ISFs could repackage their rates to better serve customers.

DFCM RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
Peer States Reviewed	5	Cost Alignment with Private Sector	Costs are considerably lower than the private sector
Recommendations for Repackaging	None		

For private sector benchmarking, DFCM’s services (as measured in cost per square foot) appear less expensive than comparable private sector service providers. DFCM’s services are also less expensive than federal facilities costs.

For public sector benchmarking, DFCM’s rates were compared to facilities rates in five peer states: Idaho, Minnesota, Oklahoma, Nevada, and Vermont. These peer states use similar methodologies to determine square footage rates for individual buildings. Some states differentiate building space by tier or quality of the area occupied. Many states have a different rate for storage space. [Appendix A](#) contains peer state-specific facilities rate packaging information.

Based on this public sector benchmarking, there are no recommendations for repackaging DFCM rates. These rates are packaged in a way that largely aligns with peers.

Service Delivery and Performance Measures

As a part of the customer survey, 76 DFCM customers provided their feedback and input on the quality of the division’s services, their satisfaction with the division’s rates, and their overall experience with DFCM. Key takeaways from this customer assessment of performance are listed below. [Appendix B](#) details full survey results.

DFCM CUSTOMER SURVEY—KEY TAKEAWAYS
<ul style="list-style-type: none"> Customers regard the quality of services as about average compared to other divisions Compared to other divisions, customers have a higher level of understanding in how services are charged Customers describe services as being accurately charged much more than in other divisions Some customers desire additional transparency around rates Customers who frequently interact with DFCM note higher quality services and a greater satisfaction with rates than those who rarely interact with DFCM Customers rated DFCM’s quality of services higher than their satisfaction with rates

B. DIVISION OF FINANCE

Rates, Costs, and Federal Guidelines

In our review of Finance’s provided cost and revenue documentation, we noted that cost and revenue tracking was not available at the individual rate level. Per discussions with members of Finance, the



majority of costs are direct pass-throughs. It was confirmed in the October 12, 2022 email correspondence with Finance that outside of the direct pass-throughs, cost records do not exist down to the rate level. In our review of the supplied cost and revenue documentation (file names “Expense Balances FY 2022.xlsx”; “Travel and Pcard Labor Detail.xlsx”; “Revenue Bookings.xlsx”), we confirmed that cost and revenue detail were not available at the rate level. For example, FY 2022 summary level data was available for the P-Card Services and Travel Services; however, rate sheets included specific services under the approved travel rates, such as number of people and booking method. Sufficient detail was not available to tie costs and revenues down to the individual rates for itemized rates such as “Cars and Hotels Only,” the rate groupings for the party size, as well as the four sub-tiers for travel agency services.

Additionally, labor and overhead were not allocated directly to services and instead covered by a portion of the internal P-Card rebates at the end of the fiscal year. It was documented that these P-Card rebates fund new initiatives for Finance, with the remainder of the rebates being split proportionately by total expense to the different divisions. This was confirmed in email correspondence on October 12, 2022 and October 24, 2022. We noted in our review that the total invoiced revenue (\$1,188,515.45) exceeded total costs (\$789,565.38) by \$398,950.07, a variance of 50.53% of revenues in excess of costs; however, this is due mainly to P-Card rebates. In FY 2022, P-Cards largely subsidized Travel Services within the Finance ISF.

Service Name	Total Revenue	Total Calculated Cost	Total Variance	%
P-Card Services	\$769,293.53	\$335,542.37	\$433,751.16	129.27%
Travel Services	\$419,221.92	\$454,023.01	(\$34,801.09)	-7.67%
Total	\$1,188,515.45	\$789,565.38	\$398,950.07	50.53%

We also noted that documentation of the reallocation of P-Card rebates to other departments or funding sources was not available upon request. Because P-Card expenses exceeded costs by 56.4%, the earnings are in excess of the retained earning maximum of 60 days’ worth of operating costs and therefore a rebate should have been issued to any federal award with p-card charges.

In alignment with best practices and compliance with federal guidelines, Finance should increase the level of detail in which their costs and revenues are tracked, down to the rate level. Additionally, the division should better document the reallocation/refund of P-Card rebates that are passed back to their customer divisions and specific revenue sources, such as federal awards.

Rate Benchmarking

Unlike all other DGO divisions included in this audit, insufficient information was able to be retrieved for Finance rate benchmarking. For private sector benchmarking (because the division includes a minimal upcharge to travel agency fees), its rates cannot be compared to private sector rates because they already include private sector costs. For public sector benchmarking, none of the 14 states for which ISF rate information could be retrieved listed rates for similar services.



Service Delivery and Performance Measures

As a part of the customer survey, 98 Finance customers provided their feedback on the quality of the division’s services, their satisfaction with the division’s rates, and their overall experience with Finance. Key takeaways from this customer assessment of performance are listed below. [Appendix B](#) details full survey results.

FINANCE CUSTOMER SURVEY—KEY TAKEAWAYS
<ul style="list-style-type: none">• Customers consider the quality of services provided by Finance higher than all other divisions• Customers who only utilize Group Travel note significantly lower quality of service compared to those who only utilize P-Cards, but have a greater level of satisfaction with rates• Customers who utilize both P-Cards and Group Travel note better levels of service compared to those who only utilize one service, and have a much greater level of understanding and approval of rates than those who only utilize P-Cards• Some customers expressed a desire for greater transparency around rates• Customers consider the accuracy of charges from Finance to be higher than all other divisions• Customers who frequently interact with Finance note higher quality services and a greater understanding of rates than those who rarely interact with Finance• Customers rated Finance’s quality of services higher than they rated their satisfaction with rates

C. DIVISION OF FLEET OPERATIONS

Rates, Costs, and Federal Guidelines

The Fleet cost and revenue documentation did not contain sufficient detail to reconcile the revenues to costs at the rate level. In our correspondence with the Fleet finance team, they acknowledged several shortcomings in existing rates and have been engaged in a multi-year process to correct them to better reflect the cost of each service. In alignment with best practices and compliance with federal guidelines, Fleet should increase the level of detail in which their costs and revenues are tracked, down to the rate level. Additionally, they should continue the initiative of truing rates up to the actual costs incurred for delivering services.

In our review of the provided documentation, we noted that the majority of cost records do not exist down to the rate level. This was confirmed in email correspondence on October 13, 2022. While we were able to tie costs and revenues to the higher-level categories specified in the below table, revenue and cost data was not available at the specific rate level from the approved rate sheet. Sufficient detail was not available to tie costs and revenues down to the individual rates.

In our discussions with the Fleet finance team, they acknowledged the current shortcomings in their rates that were caused by decisions from prior management, and have engaged in a multi-year process to begin rectifying these patterns. These patterns of rate subsidization are evident in the table presented below; several services operate at a more than 25% loss, while others incur revenue that far exceeds costs.

Even with high levels of subsidization and charges well in excess of costs for Fuel Network, Motor Pool Maintenance, Motor Pool Fuel, and Motor Pool Pass-Through charges, the total invoiced revenue (\$84,057,861.49) was short of total costs (\$87,772,710.82) by \$3,714,849.33 (a variance of -



4.23%), and was within federal guidelines of 60 days of operating cost. Below are the actual operating costs as provided by Fleet's financial system reporting:

Unit No.	Unit Name/Description	Total Revenue	Total Calculated Cost	Total Variance	%
1146	Fleet Administration	\$0.00	\$2,094.51	(\$2,094.51)	-100.00%
1171	Fuel Network	\$61,367,801.26	\$18,711.71	\$61,349,089.55	327864.69 %
1172	Fuel Mitigation	\$0.00	\$98,010.17	(\$98,010.17)	-100.00%
1175	State Sites	\$0.00	\$61,732,729.55	(\$61,732,729.55)	-100.00%
1176	Retail Sites	\$0.00	\$6,875.04	(\$6,875.04)	-100.00%
1210	Motor Pool Leasing Depreciation	\$13,842,637.55	\$17,719,168.24	(\$3,876,530.69)	-21.88%
1215	Motor Pool Leasing Admin	\$2,735,136.07	\$1,847,311.61	\$887,824.46	48.06%
1220	Motor Pool Daily Pool (Daily Car Rentals)	\$136,471.23	\$188,704.21	(\$52,232.98)	-27.68%
1225	Motor Pool Maintenance (Direct Cost)	\$4,279,275.59	\$15,496.81	\$4,263,778.78	27513.91%
1230	Motor Pool Maintenance Overhead	\$0.00	\$197,438.63	(\$197,438.63)	-100.00%
1235	MP Vehicle Service Center (VSC)	\$761,422.70	\$5,471,077.18	(\$4,709,654.48)	-86.08%
1240	Motor Pool Fuel	\$36,873.79	\$0.00	\$36,873.79	0.00%
1250	Motor Pool Accidents	\$1,000.00	\$94,385.79	(\$93,385.79)	-98.94%
1260	Motor Pool Pass Through Charges	\$440,923.76	(\$119,171.57)	\$560,095.33	-469.99%
1291	Transaction Team	\$456,319.54	\$499,878.94	(\$43,559.40)	-8.71%
Total		\$84,057,861.49	\$87,772,710.82	(\$3,714,849.33)	-4.23%

Rate Benchmarking

The rates for services provided by each division were benchmarked to private and public comparators, providing objective standards on which to evaluate the quality of these rates. Private sector benchmarking serves to evaluate the competitiveness of Fleet services. Public sector benchmarking provides a valuable standard to evaluate how Fleet rates are designed; how other states package their services into rates can provide useful insight to inform how DGO ISFs could repackage their rates to better serve customers.

DIVISION OF FLEET OPERATIONS RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
Peer States Reviewed	8	Cost Alignment with Private Sector	<ul style="list-style-type: none"> Maintenance and repair mileage costs and fuel network costs are lower. Daily motor pool rates are aligned with private sector costs.
Recommendations for Repackaging	None		



			<ul style="list-style-type: none">• Retail rate fuel purchases are more expensive than private sector costs.
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For private sector benchmarking, most Fleet services appear considerably less expensive than their private sector counterparts. Maintenance and repair mileage rates are consistently less expensive than competitors. Daily motor pool rates are aligned with private sector costs. Fuel network costs are uniformly less expensive than private sector rates, though retail rate fuel purchases are slightly more expensive.

For public sector benchmarking, Fleet's rates were compared to fleet services rates in eight peer states: Colorado, Kentucky, Minnesota, New Mexico, Nevada, Oklahoma, Montana, and Vermont. Although insufficient information could be found on other states' fuel network costs, considerable information was retrieved on lease costs. A plurality of states utilize vehicle type (e.g., Sedan, Minivan) to determine lease rates, rather than using the costs of each individual vehicle. Two such states have 27 or more rates for vehicle types. Like Utah, however, Minnesota and Oklahoma utilize individual lease rates for each vehicle, with rates depending on vehicle-specific costs.

Although peer states largely utilize vehicle types to determine lease rates, there is no recommended change to motor pool lease rate packaging.

Service Delivery and Performance Measures

As a part of the customer survey, 82 Fleet customers provided their feedback and input on the quality of the division's services, their satisfaction with the division's rates, and their overall experience with Fleet. Key takeaways from this customer assessment of performance are listed below. Appendix B details full survey results.

FLEET CUSTOMER SURVEY—KEY TAKEAWAYS
<ul style="list-style-type: none">• Customers consider the quality of services about average compared to other divisions• Unlike other divisions, there is not much difference between impressions of service quality between customers who rarely interact with Fleet and those who frequently interact with Fleet• Unlike other divisions, customers who frequently interact with Fleet do not have a higher level of satisfaction with rates compared to those who rarely interact with fleet• Overall experience with Fleet, however, is higher for customers who frequently interact with Fleet than with customers who rarely interact with Fleet• Unlike other divisions, there is not much variance in the quality of services or satisfaction with rates when disaggregating customers by which Fleet services they use (i.e., Motor Pool vs. Fuel Network vs. Both)• Respondents expressed a desire for more transparency and communication on how rates are determined and how customers are charged for services• Customers rated Fleet's quality of services higher than they rated their satisfaction with rates

D. DIVISION OF HUMAN RESOURCE MANAGEMENT

Rates, Costs, and Federal Guidelines

The DHRM cost and revenue documentation did not contain sufficient detail to reconcile the revenues to costs at the rate level. Additionally, we noted that while notary services were billed for in FY 2022,



they were not present on the approved FY 2022 rate sheet. In alignment with best practices and compliance with federal guidelines, the DHRM should increase the level of detail in which their costs and revenues are tracked, down to the rate level. They also should put billing controls in place to ensure that only services from the approved rate sheet are billed. If new services are put in place, the rate sheet should be modified to include the stipulated rates.

In our review of file name “Cost, Labor, and Revenue report.xlsx”, cost and revenue records were only able to verify costs and revenues at a division level, not at the service, rate, or sub-service level. Additionally, documentation to determine if retained earnings were excessive and therefore reallocated to customers or the federal government was not provided. Per the October 12, 2022 email correspondence, the division is aware of this and has started implementing better tracking and reporting of costs and revenues to a transactional level. Because of the high level of financial tracking, no subsidization between rates could be identified. Despite only a high-level categorization of costs being available, we noted in our review that total invoiced revenue (\$15,315,636.92) exceeded total costs (\$15,288,435.14) by only \$27,201.78 (a variance of 0.18% of revenues in excess of costs), and was within federal guidelines of 60 days of operating cost.

Service Name	Total Revenue	Total Calculated Cost	Total Variance	%
Notary	\$67,886.00	\$0.00	\$67,886.00	0.0%
Consulting & Investigation	\$7,508.18	\$0.00	\$7,508.18	0.0%
Payroll, Human Resource, and Core Fee	\$15,240,242.74	\$15,288,435.14	(\$48,192.40)	-0.32%
Total	\$15,315,636.92	\$15,288,435.14	\$27,201.78	0.18%

Rate Benchmarking

The rates for services provided by each division were benchmarked to private and public comparators, providing objective standards with which to evaluate the quality of these rates. Private sector benchmarking serves to evaluate the competitiveness of DHRM services. Public sector benchmarking provides a valuable standard to evaluate how DHRM rates are designed; how other states package their services into rates can provide useful insight to inform how DGO ISFs could repackage their rates to better serve customers.

DHRM RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
Peer States Reviewed	8	Cost Alignment with Private Sector	Costs for each service are considerably lower than comparable private costs.
Recommendations for Repackaging	<ul style="list-style-type: none"> FTE vs. Employee Headcount: DHRM should examine whether its rates should be charged by FTE or by number of employees. Rates by Employee Type: DHRM should examine whether its 		



DHRM RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
	<p>rates should differentiate between full-time vs. part-time, temporary, and seasonal employees.</p> <ul style="list-style-type: none">• Investigations: Examine whether the division should charge separately for investigations performed for executive branch agencies to better reflect the cost of performing employee investigations.		

For private sector benchmarking, DHRM's services appear less expensive than comparable private sector service providers. Core HR, HR Services, Payroll Services, and Consulting Services are each over 66% less expensive than similar private sector services.

For public sector benchmarking, DHRM's rates were compared to human resources rates in eight peer states: Arizona, Florida, Idaho, Indiana, Nevada, New Mexico, Oklahoma, and Vermont. Most other states bill services by FTE or employee headcount. One state differentiates rates between full-time versus part-time, temporary, and seasonal employees. Two states bill services as a percentage of total payroll. One state separately charges customers for workplace investigations. [Appendix A](#) contains peer state-specific human resources rate packaging information.

Service Delivery and Performance Measures

As a part of the customer survey, 82 DHRM customers provided their feedback on the quality of the division's services, their satisfaction with the division's rates, and their overall experience with DHRM. Key takeaways from this customer assessment of performance are listed below. [Appendix B](#) details full survey results.

DHRM CUSTOMER SURVEY—KEY TAKEAWAYS
<ul style="list-style-type: none">• Customers regard quality of services and satisfaction with rates at about the average of all divisions• Both qualitative and quantitative responses indicate that customers may lack an understanding of how rates are determined by DHRM, and desire more transparency• Customers who only purchase payroll services note the lowest quality of services and the lowest levels of satisfaction with rates• Customers who only purchase Core HR services note the highest levels of service quality and rate satisfaction compared to any other service in any division• When disaggregating results by services, customers of each service rate quality of services higher than rate satisfaction• Multiple respondents noted that the division's level of service has declined significantly over the past few years



- Customers who frequently interact with DHRM note higher quality services and greater satisfaction with rates than those who rarely interact with DHRM
- Customers rated DHRM's quality of services higher than they rated their satisfaction with rates

E. DIVISION OF PURCHASING AND GENERAL SERVICES

Rates, Costs, and Federal Guidelines

The Purchasing and General Services division cost and revenue documentation did not contain sufficient detail to reconcile the revenues to costs at the rate level. In alignment with best practices and compliance with federal guidelines, the Purchasing and General Services division should increase the level of detail in which their costs and revenues are tracked, down to the individual rate level.

In our review of the provided cost and revenue records (file name "Budget Worksheet.xlsx"), we were only able to verify costs and revenues at a service-line level. Additionally, documentation to confirm that retained earnings were reallocated to customers was not provided. For example, FY 2022 summary level data was available for the following service lines:

- Print Services
- State Mail
- Cooperative Contracts
- Federal Surplus
- State Surplus

Rate sheets included specific services, such as different courier zone rates, online and in-person sales of state surplus property, etc., which were not itemized within the system reporting.

Additionally, we noted several cases where service line revenues exceed service line costs (significantly, in two cases). Overall, we noted that total invoiced revenue (\$19,711,589.52) exceeded total costs (\$17,326,301.25) by \$2,385,288.27 (13.77% for FY 2022) at the division fund level, and was within federal guidelines of 60 days of operating cost. The totals were confirmed in email correspondence on October 13, 2022.

Service Name	Total Revenue	Total Calculated Cost	Total Variance	%
Print Services	\$2,097,938.81	\$2,132,884.66	(\$34,945.85)	-1.64%
State Mail	\$11,398,471.50	\$10,849,453.43	\$549,018.07	5.06%
Coop Contracts	\$5,308,079.41	\$3,451,474.59	\$1,856,604.82	53.79%
Fed Surplus	\$145,985.07	\$24,155.31	\$121,829.76	504.36%
State Surplus	\$761,114.73	\$868,333.26	(\$107,218.53)	-12.35%
Total	\$19,711,589.52	\$17,326,301.25	\$2,385,288.27	13.77%



Rate Benchmarking

The rates for services provided by each division were benchmarked to private and public comparators, providing objective standards with which to evaluate the quality of these rates. Private sector benchmarking serves to evaluate the competitiveness of Purchasing’s rates. Public sector benchmarking provides a valuable standard to evaluate how the division’s rates are designed; how other states package their services into rates can provide useful insight to inform how DGO ISFs could repackage their rates to better serve customers.

DIVISION OF PURCHASING AND GENERAL SERVICES RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
Peer States Reviewed	6	Cost Alignment with Private Sector	<ul style="list-style-type: none">State surplus and cooperative contract costs are considerably lower than in the private sector.State mail costs vary but are predominantly aligned with or are lower than private sector costs.
Recommendations for Repackaging	Central Mail Rates: Consider if costs can be better reflected with an additional rate per delivery stop and/or a uniform courier rate across zones.		

For private sector benchmarking, all services appear less expensive or aligned with private sector costs. For the costs associated with state surplus that can be compared with private sector services, Purchasing has considerably less expensive rates. The administrative fees associated with cooperative contracts are lower than similar administrative fees in the private sector. While state mail costs vary in their comparison with private sector costs, they are predominately aligned with or lower than private sector mailing costs.

For public sector benchmarking, the rates of Purchasing were compared to six peer states: Colorado, Idaho, Minnesota, Nevada, New Hampshire, and Washington. Each state providing mail services has an idiosyncratic billing structure: one charges a flat rate per stop, another charges a rate per labor hour, and a third charges based on actual costs. No other state examined provides as detailed of a schedule of mail preparation rates as Utah. Print services rates in other states are packaged similarly to Utah. [Appendix A](#) contains peer state-specific print and copy rate packaging information.

Service Delivery and Performance Measures

As a part of the customer survey, 85 Purchasing and General Services customers provided their feedback and input on the quality of the division’s services, their satisfaction with the division’s rates, and their overall experience with Purchasing and General Services. Key takeaways from this customer assessment of performance are listed below. [Appendix B](#) details full survey results.

PURCHASING AND GENERAL SERVICES CUSTOMER SURVEY—KEY TAKEAWAYS
<ul style="list-style-type: none">Customers regard quality of services and satisfaction with rates at about the average of all divisionsCustomers who only utilize print services have much lower levels of satisfaction with rates who customers who utilize mail services or those who utilize both mail and print services



- Customers who frequently interact with Purchasing note higher quality services and a greater satisfaction with rates than those who rarely interact with Purchasing
- Customers rated Purchasing's quality of services higher than they rated their satisfaction with rates

F. DIVISION OF RISK MANAGEMENT

Rates, Costs, and Federal Guidelines

DRM has well-documented rate setting guidelines in addition to controls involving external review as a part of its year-end reconciliation process. Going forward and consistent with federal guidelines, DRM should continue to determine whether all rate setting policies are followed, and whether or not the fiscal year-end reconciliation and subsequent return of excess billings to affected divisions is well-documented.

We reviewed several of the available FY 2022 cost and revenue records (file names "Risk Management Payroll, Revenue, Disbursements FY22 for Moss Adams.xlsx"; "Risk Invoices FY 2022"; "Risk Rates for 7.1.2021 - 6.30.2022.docx"). Overall, we noted that total invoiced revenue (\$64,828,737.07) exceeded total costs (\$64,017,765.78) by \$810,971.29 (1.27% for FY 2022) at the division fund level, and was within federal guidelines of 60 days of operating cost. Additionally, in correspondence with the DRM finance team, we learned that they perform annual reconciliations to true-up billings and ensure that all services are billed at compliant levels.

Service Name	Total Revenue	Total Calculated Cost	Total Variance	%
Liability	\$27,296,411.70	\$29,401,309.21	(\$2,104,897.51)	-7.16%
Property	\$24,572,005.87	\$21,008,935.89	\$3,563,069.98	16.96%
Auto	\$2,718,289.00	\$3,522,020.73	(\$803,731.73)	-22.82%
Workers Compensation	\$9,092,498.29	\$9,072,446.00	\$20,052.29	0.22%
Administration	\$1,149,532.21	\$1,013,053.95	\$136,478.26	13.47%
Total	\$64,828,737.07	\$64,017,765.78	\$810,971.29	1.27%

Rate Benchmarking

The rates for services provided by each division were benchmarked to private and public comparators, providing objective standards with which to evaluate the quality of these rates. Private sector benchmarking serves to evaluate the competitiveness of DRM services. Public sector benchmarking provides a valuable standard to evaluate how DRM rates are designed; how other states package their services into rates can provide useful insight to inform how DGO ISFs could repackage their rates to better serve customers.

DRM RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
Peer States Reviewed	8		



DRM RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
Recommendations for Repackaging	<ul style="list-style-type: none">• Consulting Fees: Consider whether the division should charge an hourly consulting fee to customers	Cost Alignment with Private Sector	Premiums for auto, liability, and property insurance are considerably lower than comparable private insurance.

For private sector benchmarking, DRM's premiums for auto, liability, and property insurance are significantly lower than comparable private sector premiums. The division's rates are 40% to 58% more competitive than private sector rates.

For public sector benchmarking, DRM's rates were compared to those in eight peer states: Florida, Idaho, Minnesota, Montana, Oklahoma, New Mexico, Nevada, and Vermont. Other states provide similar types of insurance. Many states detail the premium methodology for different types of insurance along with their rates. One state charges an additional 5% administrative fee on top of all insurance premiums. One state charges an hourly consulting fee to other departments if such services are utilized. [Appendix A](#) contains peer state-specific risk management rate packaging information.

Service Delivery and Performance Measures

As a part of the customer survey, 70 DRM customers provided their feedback on the quality of the division's services, their satisfaction with the division's rates, and their overall experience with DRM. Key takeaways from this customer assessment of performance are listed below. [Appendix B](#) details full survey results.

DRM CUSTOMER SURVEY—KEY TAKEAWAYS
<ul style="list-style-type: none">• Customers consider the quality of services provided by DRM high compared to most other divisions• Customers consider the charges from DRM to be more accurate than most other divisions• Customers rate their understanding of how DRM charges for services higher than most other divisions• Customers who only purchase aviation insurance note the lowest quality of service and the lowest level of satisfaction with rates compared to customers of all other services• Among single-service customers, those who only purchase liability insurance note the highest levels of service quality• Customers who only purchase liability insurance have a relatively low understanding of how rates are determined and how the division charges for insurance services• Customers who purchase multiple lines of insurance note greater service quality and greater satisfaction with rates than those who only purchase one line of insurance• Customers who frequently interact with DRM note higher quality services and a greater understanding of rates than those who rarely interact with DRM• Customers rated DRM's quality of services higher than they rated their satisfaction with rates



G. DIVISION OF TECHNOLOGY SERVICES

Rates, Costs, and Federal Guidelines

In our review, we noted that DTS had detailed revenue tracking down to the rate level and tracked costs down at the rate or service group level. In alignment with best practices and compliance with Federal guidelines, DTS should continue to track revenues at the rate level of detail. Additionally, they should increase the level of detail in which costs are tracked and matched to revenues, down to the rate level. In our review of the provided cost documentation, we noted that tracking of costs at a transactional level was not clear as to which rates or service groups they belonged to. In addition, there were a number of larger credit transactions identified in both the revenue and cost populations that did not have a clear purpose, description, or corresponding transaction they were offsetting.

In our review of the documentation provided by DTS, we noted that their division had detailed revenue tracking down to the rate level, as well as some cost documentation down to the service group level; however, not all cost documentation was directly attributable to individual rates of services provided, and for the majority of service groups, the costs incurred did not appear to align with the invoiced revenue for the corresponding line items. For example, while cost documentation was available for the Desktop Services service group, it was not available for all of the rates within Desktop Services, such as Desktop Support, Adobe Pro/Sign, Mobile Support, Virtual Applications, etc. Overall, we noted that the -1.07% of revenue below costs was the result of total invoiced revenue (\$138,354,970.92) deficient of total costs (\$139,857,831.82) by \$1,502,860.90 for FY 2022. The full analysis broken down by service group is available in the following table:

Service Name	Total Revenue	Total Calculated Cost	Total Variance	%
Application Developer/Support Services	\$56,355,143.86	\$56,905,618.30	(\$550,474.44)	-0.97%
Communication Services	\$10,220,807.17	\$9,776,845.87	\$443,961.30	4.54%
Desktop Services	\$28,671,365.97	\$29,401,237.86	(\$729,871.89)	-2.48%
Hosting Services	\$20,606,489.27	\$21,723,749.77	(\$1,117,260.50)	-5.14%
Miscellaneous	(\$6,039,411.38)	(\$6,829,843.32)	\$790,431.94	-11.57%
Network Services	\$18,020,253.64	\$17,492,406.50	\$527,847.14	3.02%
Print Services	\$783,964.97	\$840,720.78	(\$56,755.81)	-6.75%
Security Services	\$9,736,357.42	\$10,547,096.06	(\$810,738.64)	-7.69%
Total	\$138,354,970.92	\$139,857,831.82	(\$1,502,860.90)	-1.07%

Rate Benchmarking

The rates for services provided by each division were benchmarked to private and public comparators, providing objective standards with which to evaluate the quality of these rates. Private sector benchmarking serves to evaluate the competitiveness of DTS services. Public sector benchmarking provides a valuable standard to evaluate how DTS rates are designed; how other states package their services into rates can provide useful insight to inform how DGO ISFs could repackage their rates to better serve customers.



DTS RATE BENCHMARKING			
Public Sector: Rate Construction		Private Sector: Costs of Services	
Peer States Reviewed	8	Cost Alignment with Private Sector	Costs for all services are comparable to or are lower than similar private sector services.
Recommendations for Repackaging	<ul style="list-style-type: none"> • IT and Application Maintenance Tiered Rates: Consider providing additional information to customers to make these rates more user-friendly. • Desktop Services: Consider offering multiple tiers of desktop support services • Print services: Consider whether DTS should offer print services. 		

For private sector benchmarking, DTS costs appear comparable to or lower than private sector service providers. Application Service Tiers 2–4, Data Center Rack Space, and SQL Database Hosting are some DTS services with particularly lower costs.

For public sector benchmarking, DTS rates were compared to technological services rates in eight peer states: Florida, Indiana, Oklahoma, Kentucky, Minnesota, Montana, Nevada, and New Mexico. Other states offer similar services as DTS and provide a similarly expansive set of rates for a wide range of technology services. Like Utah, most states offer a basic desktop rate, though some states offer different tiers of desktop support through which users can opt-in to greater levels of service and support. States charge staff time in many different ways: one state has a flat rate per hour, another charges by developer level, one state charges two flat rates depending on project specifics, and two states charge different rates for staff time by type of service requested (e.g., security, application development, project management). Only one other state provided print services to customers. [Appendix A](#) contains peer state-specific technology services rate packaging information.

Service Delivery

As a part of the customer survey, 91 DTS customers provided their feedback and input on the quality of the division’s services, their satisfaction with the division’s rates, and their overall experience with DTS. Key takeaways from this customer assessment of performance are listed below. [Appendix B](#) details full survey results.

DTS CUSTOMER SURVEY—KEY TAKEAWAYS
<ul style="list-style-type: none"> • Customers consider the quality of services as much lower compared to all other divisions • Customers have lower levels of satisfaction with rates than all other divisions • Customer understanding of how rates are determined is an area of particular concern for DTS



DTS CUSTOMER SURVEY—KEY TAKEAWAYS

- Customers consider the accuracy of charges for service lower than all other divisions; this was reflected in qualitative data as well, as multiple respondents noted that they were charged inaccurately by DTS
- Timeliness was noted as an area of concern
- Multiple respondents noted a lack of understanding of how rates are calculated and expressed a desire for more transparency and communication around rates
- Discrepancies between rate satisfaction between customers who interact frequently with DTS and those who interact rarely with DTS is particularly concerning. Unlike every other division, rate satisfaction is much lower for those who interact frequently with DTS. While customers uniformly gain greater understanding and satisfaction with other divisions' rates when increasing frequency of interaction, DTS customers note lower levels of understanding and satisfaction. This goes against expectations—customers should increase these scores over time. This suggests that there may be some significant problems with how customers perceive rates and charges from DTS



APPENDIX A: PUBLIC SECTOR RATE PACKAGING PEER BENCHMARKING

Division of Facilities and Construction Management

OBSERVATIONS	
<ul style="list-style-type: none">Other states use similar methodologies to determine square footage rates for individual buildingsSome states differentiate building space by tier or quality of the square footage occupiedMany states have a different rate for storage spaceVermont charges completely separate rates for correctional and mental health facilities	
STATE DETAILS	
Idaho	<ul style="list-style-type: none">Idaho defines three tiers of facilities space: Class A (office space above ground), Class B (office space below ground), and Class C (storage). DFCM charges different rates depending on the class of space used by departments.Idaho determines estimated costs of custodial services, maintenance, utilities, and security. The cost is divided by total building space to compute the cost per square foot, and then agencies are billed at this rate.All allowable costs are allocated to each specific building. Common space in each building that benefits all occupants is also allocated.
Minnesota	<ul style="list-style-type: none">All expenses are allocated based on estimated costs for each building. Expenses include utilities, repairs and maintenance, professional/technical services, equipment depreciation, other operating costs, bond interest, and building replacement funds.These expenses are used to determine a rate per square foot for each building.A separate storage rate is available for select buildings. This rate is uniform across all buildings.Minnesota also bills a monthly media license charge.
Oklahoma	<ul style="list-style-type: none">Rates are determined for each individual building and then charged to departments.Maintenance and administrative costs are allocated based on square footage of buildings served.A “factor-based” methodology is used to bill support to construction projects.
Nevada	<ul style="list-style-type: none">Nevada charges the same rates for each state-owned building.There are 3 rates: (1) office space, charged per gross square foot per month, (2) storage space, charged per square foot per month, and (3) dormitory space, charged per square foot per month.Rates are determined by dividing total square footage, adjusted for vacancies, and weighting non-office space to reflect a lower level of costs.An administrative charge is assessed against all special services (e.g., janitorial and security services) provided for tenants based on the annual contractual cost of the service.An administrative charge is also assessed on each lease based on actual rental cost.Construction and remodeling services are billed at actual hours for staff or at actual cost to contractors and materials plus an administrative fee.



STATE DETAILS	
	<ul style="list-style-type: none">• Rental rates do not include depreciation on buildings. Buildings are not treated as assets of the Buildings and Grounds Fund.
Vermont	<ul style="list-style-type: none">• Six rates for six service districts are calculated based on operating, maintenance, and security costs.• Costs are then allocated to departments and agencies based on square footage occupied.• Correctional and mental health facilities have individual rates.• Departments and agencies are billed actual costs of some operating expenses not included in the lease (e.g., janitorial services, utilities, snow removal, and an administrative fee).



Division of Fleet Operations

OBSERVATIONS	
	<ul style="list-style-type: none">• Insufficient information could be found on other state fuel networks• A plurality of states utilize vehicle type to determine lease rates, rather than the costs of each individual vehicle; however, two of these states have 27 or more vehicle types• Minnesota and Oklahoma have individualized lease rates for every vehicle

STATE DETAILS	
Colorado	<ul style="list-style-type: none">• Only daily motor pool rates could be found.• Daily motor pool rates vary by vendor contract and vehicle type.
Kentucky	<ul style="list-style-type: none">• Lease rate varies by type of vehicle.• There are 29 different types of vehicles and lease rates.• There is a threshold of annual mileage over which there is an additional cost per mile.
Minnesota	<ul style="list-style-type: none">• Individual lease rates are determined for every vehicle.• There is an additional flat-rate insurance charge, administrative charge, early lease termination charge, and vehicle handling fee.• Straight line depreciation is used.
New Mexico	<ul style="list-style-type: none">• Lease rate varies by type of vehicle. Long-term leases are charged monthly.• There are 27 different types of vehicles.• There is a flat overhead and maintenance charge regardless of vehicle type.• There is a replacement fee that varies by type of vehicle.• Most vehicles have short-term daily rental rates available.
Nevada	<ul style="list-style-type: none">• Lease rates vary by type of vehicle, but there are only four vehicle types: compact, intermediate, premium, and specialty.• Vehicles can be leased per month, per day, or per mile. Each vehicle class and each lease type has a unique rate.
Oklahoma	<ul style="list-style-type: none">• Long-term leases are calculated based on purchase price minus 20% surplus value divided by number of months.• Fuel costs are pass-through.• Daily rentals use the same methodology as lease vehicles but are prorated by day. Mileage rates are based on vehicle category.• A \$74/hour labor rate is charged.
Montana	<ul style="list-style-type: none">• Lease rate varies by type of vehicle. Regardless of length, leases are calculated using an hourly assigned rate.• There are 7 vehicle types.• In addition, one of three tiers of usage rates are used to charge per mile driven. The tier of mileage rates charged is determined by the market price of fuel.• Accident deductible rate charged is the actual cost per accident.
Vermont	<ul style="list-style-type: none">• Actual costs, including depreciation, are included in long-term lease agreements and daily rental costs.• Cost of long-term lease agreements vary by type of vehicle.



STATE DETAILS	
	<ul style="list-style-type: none"> Daily rentals charge a flat half-day or a flat full-day cost, plus an excess mileage rate per mile.

Division of Human Resource Management

OBSERVATIONS
<ul style="list-style-type: none"> Most other states bill HR services by FTE or by employee headcount One state that charges by employee headcount differentiates rates between full time versus part time, temporary, or intermittent employees Two states bill all HR and payroll services as a percentage of the total payroll of each state agency. A third state bills payroll services as a percentage of total payroll, but bills HR services per employee One state separately allocates HR investigations instead of billing these services. This state annually allocates the HR investigations budget by each department's investigation volume during the previous fiscal year

STATE DETAILS	
Arizona	<ul style="list-style-type: none"> Arizona charges a charge of 0.86 percent of the total payroll of the state agency from all fund sources. 0.03 percent of total payroll is deposited in a separate subaccount of the personnel division fund for use by the state personnel board and is subject to legislative appropriation.
Florida	<ul style="list-style-type: none"> Florida rates are allocated based on number of positions, not FTE. The rate per position is established by the legislature every few years. The fund will build in the first few years after a new rate is set, and then slowly decline until the legislature decides a new rate is required.
Idaho	<ul style="list-style-type: none"> The entire cost of Idaho HR operations is billed through a rate that is a percentage of payroll costs. The rate is determined by dividing the total payroll for covered employees in each department by the total payroll for all classified employees of all departments.
Indiana	<ul style="list-style-type: none"> Full-time employees are billed a flat dollar rate annually. Part time, temporary, and intermittent employees are billed \$65.40 per filled position annually, but billed only during the first four months of the year when these positions are active.
Nevada	<ul style="list-style-type: none"> Payroll services are billed as a percentage of total salaries and wage budget for agencies served by central payroll. Personnel Services, CPM, and EAP are billed a percentage of total classified salaries and wage budgets. Agency HR services are charged a flat annual dollar rate per employee.
New Mexico	<ul style="list-style-type: none"> The Statewide HR, accounting, and management reporting system fund (like Core HR in Utah) is charged through a dollar fee per FTE, billed at the beginning of each fiscal year. Agency-specific application development and maintenance is billed at \$150.00 per hour plus material costs.
Oklahoma	<ul style="list-style-type: none"> Billing rates are determined quarterly by dividing costs of the office by the number of employees (not FTEs) on the payroll system.



STATE DETAILS	
Vermont	<ul style="list-style-type: none">• HR Resources Field Operations, Workforce Development, Labor Relations/Leave management, and Boards and Commissions services are billed through a rate determined by the employee count extracted from the HR system on October 1.• Legal/Investigations are separately allocated by department investigation volume during the previous fiscal year.



Division of Purchasing and General Services

OBSERVATIONS

- Each state providing mail services has an idiosyncratic billing structure. One charges a flat rate per stop, another charges rate per labor hour, and a third charges based on actual costs
- No other state examined provided as detailed of a schedule of mail preparation rates as Utah
- Two states charge a per hour rate for mail preparation labor, regardless of order specifics
- Print services rates appear to be calculated in similar ways and are billed to agencies using similarly structured price lists

STATE DETAILS—MAIL

Colorado	<ul style="list-style-type: none">• Delivery rates are charged a \$322.20 flat monthly rate per delivery stop.• Additional rates are available for inserts and sorting.
Idaho	<ul style="list-style-type: none">• Mail Service only services Boise and Meridian areas.• Charges are submitted to agencies monthly for mail postage and services based on actual use.• Mail preparation labor is charged at a flat rate of \$35/hour.
Minnesota	<ul style="list-style-type: none">• Delivery services are charged on a per-hour basis.• Additional mail preparation services and rates are available for folding, traditional inserting, match inserting, permit filing, sorting and bar coding, ink-jet addressing, tabbing, and postage handling.• Regardless of printing service used, mail preparation services also use a per hour shop rate.

STATE DETAILS—PRINT SERVICES

Colorado	<ul style="list-style-type: none">• Copy rates vary by black and white versus color, and by impression volume.• Design and layout services are provided at no additional cost.• Copiers and multifunction printers have base rates charged per month.• There is a schedule of microfilm conversion rates.• Additional rates bill for CD/DVD duplication and document warehousing.• Any miscellaneous additional setup is charged at a rate of \$99.7718/hour.
Idaho	<ul style="list-style-type: none">• Copies are charged by impression. Rates vary by cardstock type. Rates lower if more than 500 copies are purchased. Color copies are assessed a \$0.29 surcharge.• Special paper print rates are charged for cover stock, tabs, vinyl covers, lamination, and transparencies.• Other print charges exist for machine stapling, drilling, folding, handwork/cutting, mail preparation, wrapping, and digital scanning.• Binding rates vary by spine size and whether binding is cerlox or spiral.• An additional fee is charged for any services that must be outsourced, as a percentage of the vendor invoice. The percentage decreases as invoice amount increases.
Nevada	<ul style="list-style-type: none">• Rates for each type of printing order are determined based on labor costs and equipment costs.• Equipment use rates are based on square footage of space used by each piece of equipment compared to occupancy costs, annual productive hours on



STATE DETAILS—PRINT SERVICES	
	each piece of equipment, variable operating costs for each piece of equipment, and fixed expenses including depreciation.
New Hampshire	<ul style="list-style-type: none"> New Hampshire has a rate for bindery, composition, and press. Hourly rates are determined by calculating the costs of labor, supplies, equipment, maintenance, and indirect costs, and dividing by available production hours per year.
Washington	<ul style="list-style-type: none"> Copy center rates include black and white and color copies, tabs and transparencies, inline stapling, saddle-stitching, cover binding, and ordering by email. An additional rate schedule exists for large volume and specialized printing. Fulfillment, binding, and finishing are billed separately.

Division of Risk Management

OBSERVATIONS
<ul style="list-style-type: none"> Other state risk management functions provide similar types of insurance coverage. Many states detail the premium methodology for different insurance types with their rate information Vermont charges a 5% administrative fee on top of insurance premiums. Minnesota charges an hourly internal consulting fee to other departments if such services are utilized

STATE DETAILS	
Florida	<ul style="list-style-type: none"> Provides property, auto, liability, workers compensation, and federal civil rights insurance. An actuarial study determines the rates by state agency.
Idaho	<ul style="list-style-type: none"> Idaho covers liability, property, inland marine, boiler and machinery, aircraft liability, auto, employee bond and crime, and notary bond coverage. The state is self-funded to the amount of its deductible on coverage with private insurers. Idaho self-funds liability, inland marine, and auto. Rates are individualized to each agency. Each agency is also assessed an administrative fee based on the percentage of total property, liability, and auto premiums it pays.
Minnesota	<ul style="list-style-type: none"> For auto insurance, there are separate rates for non-siren and siren vehicles. There are four possible different tiers of rates charged per vehicle. Police, professional broadcasters, and public officials have a separate liability charge. For property, builders risk, inland marine, and equipment insurance, there are different rates charged based on level of deductible used. The agency charges a consulting fee per hour.
Montana	<ul style="list-style-type: none"> Montana provides auto, aviation, general liability, and property/miscellaneous coverage. Each rate has a biennially-determined maximum that the program may charge during the two-year period. DRM can use other rates, but cannot charge over the determined maximum rate.
Oklahoma	<ul style="list-style-type: none"> Provides property, casualty tort, motor vehicle, tag agent surety, tag agent E&O, fire district property, comprehensive and collision, workers compensation, and property insurance.



STATE DETAILS	
	<ul style="list-style-type: none">• Rates are based on calculations from an actuarial consulting firm, and are then charged to each agency.
New Mexico	<ul style="list-style-type: none">• Rates are based on costs of insurance coverage from insurance carriers plus administrative costs.• Actual dollar amount is computed and is billed to each agency.
Nevada	<ul style="list-style-type: none">• Nevada provides liability, auto, property, employee fidelity, and workers compensation.• Workers compensation is provided by AIG through a self-insurance program with a \$2 million deductible. Costs are distributed to agencies at 2.37% of payroll costs.• Property and casualty insurance is self-funded with an excess property insurance policy to cover losses over \$100,000. The state does not use actuaries for this since claim volume is low. Rates are determined by dividing average losses over past three years plus an administrative fee by the total square feet of property covered.• Auto is self-insured with no excess limits policy. Rates are calculated by dividing estimated loss by number of insured vehicles.
Vermont	<ul style="list-style-type: none">• Vermont provides workers compensation, state liability, and property and commercial insurance.• Rates are determined through actuarial analyses, and dollar amounts are billed to each agency.• All policies are charged a 5% administrative fee.



Division of Technology Services

OBSERVATIONS
<ul style="list-style-type: none"> Other states offer a similarly expansive set of rates for a wide range of IT services Other states offer similar services as DTS Most states offer a basic desktop rate per device per month Some states offer different tiers of desktop support where users can enhance the services and support levels for additional fees States charge IT staff time in different ways. One state has a flat rate per hour, another state similarly charges by developer level, one state charges two potential flat rates depending on what services are being provided, and two state charges different rates for staff time that varies by area of expertise (e.g. Security, Application Development, Project Management, Technical Consulting). Only one other state listed print services

STATE DETAILS	
Florida	<ul style="list-style-type: none"> Backup and Recovery charged on GB/day. Storage Platform charged on GB/month. Network Platform charged on connections/month and units/month. Mainframe platform charged by unit, actual cost, and GB, depending on service.
Indiana	<ul style="list-style-type: none"> Charges billed to agencies monthly. Charges a seat rate for basic services. Charges a named email user rate. Network services are charged per device. App development is charged per developer level. Telecommunications services are all pass-through . Project management is charged per hour.
Oklahoma	<ul style="list-style-type: none"> Has a desktop seat rate billed per FTE for those that have a desktop. Optional desktop “Plus” services are billed per unit. Has a basic “Network—Essential” rate (billed per FTE) that includes basic services comprised of the network. “Network—Plus” (billed per unit) includes items that agencies by choose to add (e.g., VPN access, larger bandwidths, Wide area networks, etc.). Billed per FTE. Has a “Voice—Essential” and “Voice—Plus” seat rate. Voice essential is billed per FTE. Voice plus is billed per unit. Has a Tech projects rate, based on estimated costs for a particular project. Prior to beginning a project, agencies are provided with a statement of work detailing estimated costs. “Agency Specific” charges include agency-specific applications and mainframe/midrange servers. Rates are based on actual costs.
Kentucky	<ul style="list-style-type: none"> There are six tiers of seat rates, depending on the device. Monitors are billed monthly. Services included Application Development, Project Management, Technical Consulting and Database Services, Out-of-Scope Client Computing Services. Microsoft Office365 and Mailbox charged per mailbox/month. Servers and online services charged similarly.



STATE DETAILS	
	<ul style="list-style-type: none">• Mainframe connected storage charged per GB/month.• Telephone equipment maintenance costs almost exactly the same amount as Utah.• Telephone line charged per line/month. Long distance charged per minute.• VOIP charged per telephone per month.• Also has printing services.
Minnesota	<ul style="list-style-type: none">• Has a basic desktop rate. Has 2 other desktop rates with different tiers of support.• Has a separate laptop rate.
Montana	<ul style="list-style-type: none">• Charges a mailbox/month rate. Charges for additional storage space monthly.• Charges separate hourly security service rates for forensic analysis or security audit.• Has “Expert Time” rates at different hourly rates for Contract/Vendor Management, Executive Level, ITSM, Software Asset management, EAS, Security, EIS, MAIN, NET, and VOICE.
Nevada	<ul style="list-style-type: none">• Has different IT labor rates for Programmer/Developers and Data Base Administrators.• Telecommunications charged similarly as other states.• Database hosting, Web Services, and Network services are sorted by MB/GB/TB usage into different tiers and then charged separate rates.
New Mexico	<ul style="list-style-type: none">• Has a flat IT consulting rate per hour. Has a flat network engineering and design rate per hour.• Has a training rate that is “actual cost.”• Has a mailbox fee charged with mailbox/month. Offers an extra rate per 1GB of extra storage. Offers email encryption rate per mailbox/month.• Communications appear to be charged similarly.



APPENDIX B: SURVEY RESULTS

Note: All quantitative questions are on a five-point scale, with one as the lowest and five as the highest rating.

Most Notable Survey Findings

- Despite some serious, known concerns with some DGO services, most survey respondents provided answers between “Neither Agree nor Disagree” (3) and “Strongly Agree” (5). This may reflect a hesitance of respondents to be critical of their fellow state employees—or, it could measure a baseline, general satisfaction with most internal services.
- With all divisions, customers rate the quality of service higher than they rate their understanding of rates and their satisfaction with charges for service.
- DTS is perceived as providing the lowest quality of services compared to other divisions.
- Customers rate the quality of service highest in DRM and Finance.
- When compared to all other divisions, customers rate DTS as having the lowest level of transparency, predictability, accuracy, and satisfaction with charges and rates for service.
- In divisions other than DTS, customers have similar levels of satisfaction with rates and charges for service. However, customers note that DFCM and DRM are slightly more accurate in their charges for service. Customers also note greater levels of understanding in how DFCM and DRM charge agencies for services provided.
- In most divisions, customers who rarely interact with divisions note lower levels of service quality and lower levels of rate/charges satisfaction than customers who frequently interact with divisions. This is an understandable and predictable result of higher levels of interaction with a DGO division and its services.
- In DTS, customers who frequently interact with DTS note lower levels of understanding and satisfaction with the rates charged for services. This goes against expectations, suggesting that as customers utilize more DTS services, the more they become dissatisfied with the division’s rates and charges for service. This is a particularly notable discrepancy in customer satisfaction.
- Multiple respondents provided comments noting that they have been charged inaccurately by DTS. This inaccuracy is supported by customers rating the accuracy of charges lower for DTS than for any other division.
- Both written responses and quantitative data indicate that transparency in how rates are determined may be an area of concern for DHRM.
- Multiple respondents commented that they believe the level of service from DHRM has declined over the past several years.
- Aviation insurance customers have a relatively low satisfaction with rates/charges for service.
- Customers who purchase multiple lines of insurance note greater service quality and greater rates satisfaction than those who only purchase one line of insurance.



Overall Results – All Divisions

Quality of Service	DFCM	Finance	Fleet	DHRM	Purchasing	DRM	DTS
I am satisfied with the quality of services I receive.	4.09	4.33	4.23	4.2	4.11	4.31	3.88
I understand what level of service to expect.	4.19	4.42	4.17	4.24	4.14	4.24	3.96
The level of service I receive is satisfactory.	4.16	4.36	4.19	4.24	4.18	4.33	3.84
The [DIVISION] provides service in a timely manner	4.13	4.29	4.24	4.11	4.13	4.29	3.86
Satisfaction with Rates	DFCM	Finance	Fleet	DHRM	Purchasing	DRM	DTS
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.6	3.67	3.7	3.61	3.69	3.78	3.45
The rates charged are reasonable for the services provided.	3.83	3.83	3.71	3.74	3.76	3.9	3.31
I can accurately anticipate the costs of services.	3.67	3.82	3.81	3.71	3.69	3.74	3.33
I understand how rates are determined for the [DIVISION].	3.5	3.62	3.54	3.45	3.56	3.64	3.09
I understand how the [DIVISION] charges my agency for services provided.	3.94	3.76	3.69	3.68	3.7	3.9	3.5
Charges for services are accurate.	4	3.83	3.81	3.8	3.86	3.97	3.4
I am satisfied with the process by which the [DIVISION] charges my agency for services provided.	3.88	3.89	3.84	3.8	3.8	3.91	3.38
Overall Experience	DFCM	Finance	Fleet	DHRM	Purchasing	DRM	DTS
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with the [DIVISION]	4.2	4.26	4.13	4.07	4.15	4.22	3.64





Number of Responses – All Divisions

Division	Number of Responses
Total	134
DFCM	76
Finance	98
Fleet	82
DHRM	82
Purchasing	85
DRM	70
DTS	91



DFCM Overall Results & Results by Frequency of Customer Interaction

Quality of Service	Frequency of Customer Interaction		
	Overall	Rarely	Frequently
I am satisfied with the quality of services I receive.	4.09	3.75	4.16
I understand what level of service to expect.	4.19	4	4.23
The level of service I receive is satisfactory.	4.16	3.92	4.21
DFCM provides service in a timely manner.	4.13	4	4.16
Satisfaction with Rates	Interaction		
	Overall	Rarely	Frequently
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.6	3.27	3.66
The rates charged are reasonable for the services provided.	3.83	3.8	3.84
I can accurately anticipate the costs of services.	3.67	3.36	3.73
I understand how rates are determined for DFCM.	3.5	3.5	3.5
I understand how DFCM charges my agency for services provided.	3.94	3.45	4.04
Charges for services are accurate.	4	3.8	4.04
I am satisfied with the process by which DFCM charges my agency for services provided.	3.88	3.6	3.93
Overall Experience	Interaction		
	Overall	Rarely	Frequently
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with the DFCM.	4.2	3.69	4.32



Finance Overall Results & Results by Frequency of Customer Interaction

Quality of Service	Frequency of Customer Interaction		
	Overall	Rarely	Frequently
I am satisfied with the quality of services I receive.	4.33	4	4.42
I understand what level of service to expect.	4.42	3.94	4.55
The level of service I receive is satisfactory.	4.36	3.94	4.48
Finance provides service in a timely manner.	4.29	3.78	4.43
Satisfaction with Rates	Interaction		
	Overall	Rarely	Frequently
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.67	3.33	3.76
The rates charged are reasonable for the services provided.	3.83	3.44	3.94
I can accurately anticipate the costs of services.	3.82	3.61	3.88
I understand how rates are determined for Finance.	3.62	3.17	3.74
I understand how Finance charges my agency for services provided.	3.76	3.28	3.89
Charges for services are accurate.	3.83	3.5	3.92
I am satisfied with the process by which Finance charges my agency for services provided.	3.89	3.5	4
Overall Experience	Interaction		
	Overall	Rarely	Frequently
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with the Finance.	4.26	3.95	4.35



Finance Results by Results by Service Utilized

Quality of Service	Results by Service			
	Overall	P-Cards	Group Travel	Both
I am satisfied with the quality of services I receive.	4.33	4.2	4	4.38
I understand what level of service to expect.	4.42	4.35	4	4.48
The level of service I receive is satisfactory.	4.36	4.3	4	4.41
Finance provides service in a timely manner.	4.29	4.2	4	4.34
Satisfaction with Rates	Results by Service			
	Overall	P-Cards	Group Travel	Both
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.67	3.45	4.13	3.68
The rates charged are reasonable for the services provided.	3.83	3.52	3.88	3.86
I can accurately anticipate the costs of services.	3.82	3.59	4	3.84
I understand how rates are determined for Finance.	3.62	3.39	3.75	3.65
I understand how Finance charges my agency for services provided.	3.76	3.5	3.63	3.8
Charges for services are accurate.	3.83	3.59	4	3.85
I am satisfied with the process by which Finance charges my agency for services provided.	3.89	3.57	3.88	3.93
Overall Experience	Results by Service			
	Overall	P-Cards	Group Travel	Both
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with Finance.	4.26	4.15	3.9	4.31



Fleet Overall Results & Results by Frequency of Customer Interaction

Quality of Service	Frequency of Customer Interaction		
	Overall	Rarely	Frequently
I am satisfied with the quality of services I receive.	4.23	4.16	4.25
I understand what level of service to expect.	4.17	4.05	4.22
The level of service I receive is satisfactory.	4.19	4.11	4.22
Fleet provides service in a timely manner.	4.24	4.21	4.25
Satisfaction with Rates	Interaction		
	Overall	Rarely	Frequently
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.7	3.67	3.71
The rates charged are reasonable for the services provided.	3.71	3.78	3.69
I can accurately anticipate the costs of services.	3.81	3.72	3.85
I understand how rates are determined for Fleet.	3.54	3.56	3.54
I understand how Fleet charges my agency for services provided.	3.69	3.78	3.65
Charges for services are accurate.	3.81	3.72	3.85
I am satisfied with the process by which Fleet charges my agency for services provided.	3.84	3.83	3.85
Overall Experience	Interaction		
	Overall	Rarely	Frequently
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with Fleet.	4.13	3.9	4.21



Fleet Results by Results by Service Utilized

		Results by Service		
Quality of Service	Overall	Motor Pool	Fuel Network	Both
I am satisfied with the quality of services I receive.	4.23	4.07	4.06	4.12
I understand what level of service to expect.	4.17	4.3	4.17	4.22
The level of service I receive is satisfactory.	4.19	4.33	4.22	4.16
Fleet provides service in a timely manner.	4.24	4.26	4.11	4.16
		Results by Service		
Satisfaction with Rates	Overall	Motor Pool	Fuel Network	Both
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.7	3.45	3.71	3.59
The rates charged are reasonable for the services provided.	3.71	3.79	3.94	3.82
I can accurately anticipate the costs of services.	3.81	3.6	3.67	3.7
I understand how rates are determined for Fleet.	3.54	3.54	3.75	3.45
I understand how Fleet charges my agency for services provided.	3.69	3.9	3.76	4.02
Charges for services are accurate.	3.81	3.96	3.94	4.04
I am satisfied with the process by which Fleet charges my agency for services provided.	3.84	3.82	3.69	3.96
		Results by Service		
Overall Experience	Overall	Motor Pool	Fuel Network	Both
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with Fleet.	4.13	4.08	4	4.13



DHRM Overall Results & Results by Frequency of Customer Interaction

Quality of Service	Frequency of Customer Interaction		
	Overall	Rarely	Frequently
I am satisfied with the quality of services I receive.	4.2	3.67	4.34
I understand what level of service to expect.	4.24	3.73	4.38
The level of service I receive is satisfactory.	4.24	3.73	4.38
DHRM provides service in a timely manner.	4.11	3.8	4.2
Satisfaction with Rates	Interaction		
	Overall	Rarely	Frequently
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.61	3.4	3.67
The rates charged are reasonable for the services provided.	3.74	3.33	3.85
I can accurately anticipate the costs of services.	3.71	3.27	3.83
I understand how rates are determined for DHRM.	3.45	3.33	3.48
I understand how DHRM charges my agency for services provided.	3.68	3.33	3.78
Charges for services are accurate.	3.8	3.27	3.94
I am satisfied with the process by which DHRM charges my agency for services provided.	3.8	3.33	3.93
Overall Experience	Interaction		
	Overall	Rarely	Frequently
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with DHRM.	4.07	3.5	4.23



DHRM Results by Service Utilized

Quality of Service	Results by Service					
	Overall	Core HR	Payroll Services	HR Services	Core & HR Services	All DHRM
I am satisfied with the quality of services I receive.	4.2	4.5	3.33	3.86	3.86	4.2
I understand what level of service to expect.	4.24	4.5	3.33	4	3.93	4.24
The level of service I receive is satisfactory.	4.24	4.5	3.33	4	4	4.24
DHRM provides service in a timely manner.	4.11	4.5	3.33	3.86	3.92	4.11
Satisfaction with Rates	Results by Service					
	Overall	Core HR	Payroll Services	HR Services	Core & HR Services	All DHRM
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.61	4	3	3.29	3.14	3.61
The rates charged are reasonable for the services provided.	3.74	4	3	3.29	3.43	3.74
I can accurately anticipate the costs of services.	3.71	4	3	3.43	3.5	3.71
I understand how rates are determined for DHRM.	3.45	4	3	3.29	2.86	3.45
I understand how DHRM charges my agency for services provided.	3.68	4	3	3.29	3.5	3.68
Charges for services are accurate.	3.8	4	3	3.43	3.64	3.8
I am satisfied with the process by which DHRM charges my agency for services provided.	3.8	4	3	3.29	3.71	3.8



Overall Experience	Results by Service					
	Overall	Core HR	Payroll Services	HR Services	Core & HR Services	All DHRM
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with DHRM.	4.07	3.67	3	3.38	3.6	4.08



Purchasing and General Services Overall Results & Results by Frequency of Customer Interaction

Quality of Service	Overall	Frequency of Customer Interaction	
		Rarely	Frequently
I am satisfied with the quality of services I receive.	4.11	3.97	4.12
I understand what level of service to expect.	4.14	3.94	4.23
The level of service I receive is satisfactory.	4.18	4.03	4.23
Purchasing provides service in a timely manner.	4.13	4	4.08
Satisfaction with Rates	Overall	Interaction	
		Rarely	Frequently
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.69	3.61	3.69
The rates charged are reasonable for the services provided.	3.76	3.55	3.88
I can accurately anticipate the costs of services.	3.69	3.55	3.69
I understand how rates are determined for Purchasing.	3.56	3.39	3.69
I understand how Purchasing charges my agency for services provided.	3.7	3.42	3.88
Charges for services are accurate.	3.86	3.71	4
I am satisfied with the process by which Purchasing charges my agency for services provided.	3.8	3.65	3.84
Overall Experience	Overall	Interaction	
		Rarely	Frequently
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with Purchasing.	4.15	3.94	4.26



Purchasing Results by Service Utilized

Quality of Service	Results by Service			
	Overall	Print	Mail	Both
I am satisfied with the quality of services I receive.	4.11	4	4.07	4.13
I understand what level of service to expect.	4.14	4.06	4.07	4.16
The level of service I receive is satisfactory.	4.18	4.18	4.14	4.19
Purchasing provides service in a timely manner.	4.13	4.06	4.19	4.13
Satisfaction with Rates	Results by Service			
	Overall	Print	Mail	Both
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.69	3.56	3.69	3.72
The rates charged are reasonable for the services provided.	3.76	3.38	3.64	3.82
I can accurately anticipate the costs of services.	3.69	3.44	3.67	3.74
I understand how rates are determined for Purchasing.	3.56	3	3.6	3.62
I understand how Purchasing charges my agency for services provided.	3.7	3.19	3.67	3.77
Charges for services are accurate.	3.86	3.44	3.76	3.93
I am satisfied with the process by which Purchasing charges my agency for services provided.	3.8	3.2	3.76	3.87
Overall Experience	Results by Service			
	Overall	Print	Mail	Both
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with Purchasing.	4.15	3.95	4.04	4.21



DRM Overall Results & Results by Frequency of Customer Interaction

Quality of Service	Frequency of Customer Interaction		
	Overall	Rarely	Frequently
I am satisfied with the quality of services I receive.	4.3	4	4.54
I understand what level of service to expect.	4.2	3.82	4.54
The level of service I receive is satisfactory.	4.3	4.04	4.54
DRM provides service in a timely manner.	4.3	3.93	4.55
Satisfaction with Rates	Interaction		
	Overall	Rarely	Frequently
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.8	3.36	4.08
The rates charged are reasonable for the services provided.	3.9	3.43	4.23
I can accurately anticipate the costs of services.	3.7	3.37	4
I understand how rates are determined for DRM.	3.6	3.25	3.92
I understand how DRM charges my agency for services provided.	3.9	3.5	4.18
Charges for services are accurate.	4	3.54	4.29
I am satisfied with the process by which DRM charges my agency for services provided.	3.9	3.61	4.14
Overall Experience	Interaction		
	Overall	Rarely	Frequently
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with DRM.	4.2	4	4.38



DRM Results by Service Utilized

Quality of Service	Results by Service									
	Overall	Auto	Liability	Property	Aviation	Auto, Liability, Property	Auto, Liability	Auto, Property	Property, Liability	All
I am satisfied with the quality of services I receive.	4.3	4	4.33	4	3.75	4.34	4.27	4	4.52	4.35
I understand what level of service to expect.	4.2	3.88	4.11	4	3.75	4.21	4.07	3.92	4.3	4.27
The level of service I receive is satisfactory.	4.3	4	4.33	4	3.75	4.34	4.27	4.08	4.48	4.37
DRM provides service in a timely manner.	4.3	4	4.33	4	3.75	4.3	4.27	4.08	4.41	4.32
Satisfaction with Rates	Results by Service									
	Overall	Auto	Liability	Property	Aviation	Auto, Liability, Property	Auto, Liability	Auto, Property	Property, Liability	All
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.8	3.38	3.56	3.33	3	3.79	3.73	3.5	4	3.83
The rates charged are reasonable for the services provided.	3.9	3.63	3.33	3.5	3	3.87	3.67	3.67	3.96	3.95
I can accurately anticipate the costs of services.	3.7	3.5	3.5	3.33	3	3.73	3.79	3.58	3.91	3.79
I understand how rates are determined for DRM.	3.6	3.5	3.67	3.17	3	3.68	3.8	3.5	3.78	3.68
I understand how DRM charges my agency for services provided.	3.9	3.5	3.56	3.17	3	3.9	3.73	3.5	4.04	3.95
Charges for services are accurate.	4	3.5	3.44	3.5	3	4	3.73	3.67	4.04	4.03
I am satisfied with the process by which DRM charges my agency for services provided.	3.9	3.63	3.44	3.5	3	3.93	3.8	3.75	3.95	3.97



Overall Experience	Results by Service									
	Overall	Auto	Liability	Property	Aviation	Auto, Liability, Property	Auto, Liability	Auto, Property	Property, Liability	All
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with DRM.	4.2	3.9	4.09	3.75	3.67	4.22	4.12	3.93	4.24	4.27



DTS Overall Results & Results by Frequency of Customer Interaction

Quality of Service	Frequency of Customer Interaction		
	Overall	Rarely	Frequently
I am satisfied with the quality of services I receive.	3.88	3.83	3.85
I understand what level of service to expect.	3.96	3.5	4.05
The level of service I receive is satisfactory.	3.84	3.83	3.82
DTS provides service in a timely manner.	3.86	3.5	3.89
Satisfaction with Rates	Interaction		
	Overall	Rarely	Frequently
I know what the rates (costs) are for the services provided, or I know where I can look to find these rates.	3.45	3.5	3.34
The rates charged are reasonable for the services provided.	3.31	3.67	3.16
I can accurately anticipate the costs of services.	3.33	3.67	3.16
I understand how rates are determined for DTS.	3.09	3.67	3
I understand how DTS charges my agency for services provided.	3.5	3.67	3.34
Charges for services are accurate.	3.4	3.67	3.32
I am satisfied with the process by which DTS charges my agency for services provided.	3.38	3.67	3.13
Overall Experience	Interaction		
	Overall	Rarely	Frequently
On a scale of 1 (Very Poor) to 5 (Very Good), please rate your overall experience with DTS.	3.64	3.43	3.62



APPENDIX C: SUMMARY OF FEDERAL REQUIREMENTS

Rate Setting

- **2 CFR 200 Appendix V A.1:** Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs include in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.
- **2 CFR 200 Appendix V A.3(b.1):** For each internal service fund or similar activity with an operating budget of \$5 million or more, the [Central Service Cost Allocation] plan must include: A brief description of each service; a balance sheet for each fund based on individual accounts contained in the governmental unit's accounting system; a revenue/expense statement, with revenues broken out by source, e.g., regular billings, interest earned, etc.; a listing of all non-operating transfers (as defined by GAAP) into and out of the fund; a description of the procedures (methodology) used to charge the costs of each service to users, including how billing rates are determined; a schedule of current rates; and, a schedule comparing total revenues (including imputed revenue) generated by the service to the allowable costs of the service, as determined under this part, with an explanation of how variances will be handled.
- **2 CFR 200 Appendix V G.4:** Billing rates used to charge Federal awards must be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following adjustment methods: a) a cash refund including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with the applicable Federal cognizant agency for indirect costs regulation to the Federal Government for the Federal share of the adjustment, b) credits to the amounts charged to the individual programs, c) adjustments to future billing rates, or d) adjustments to allocated central service costs. Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (federal share non-federal share) exceeds \$500,000. Adjustment methods may include, at the option of the cognizant agency, earned or imputed interest from the date of expenditure and delinquent debt interest, if applicable, chargeable in accordance with applicable cognizant agency claims collection regulations.

Retained Earnings

- **2 CFR 200 Appendix V G.1:** Each billed central service must separately account for all revenues (including imputed revenues) generated by the service, expenses incurred to furnish the service, and profit/loss.
- **2 CFR 200 Appendix V G.2:** Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working



capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 calendar days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 calendar days may be approved by the cognizant agency for indirect costs in exceptional cases.

- **2 CFR 200 Appendix V G.3:** Allocated central service costs are usually negotiated and approved for a future fiscal year on a 'fixed with carry-forward' basis. Under this procedure, the fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustments to the fixed amounts established for a later year.



MOSSADAMS

STATE OF UTAH: DEPARTMENT OF GOVERNMENT OPERATIONS

ISF IMPLEMENTATION SUPPORT

Scope of Work

PROJECT UNDERSTANDING



The State of Utah Department of Government Operations (“DGO”) contracted with Moss Adams LLP to conduct an audit of the rates set by its ISF divisions, including compliance with federal requirements according to 2 CFR Part 200 and alignment with industry best practices.

DGO seeks assistance in implementing high priority recommendations detailed in this audit report; specifically:

- Developing and implementing revised internal service fund policies and procedures in alignment with DGO ISF priorities
- Evaluating and recommending rate repackaging and distribution of overhead costs for ISFs
- Assisting divisions in setting preliminary rates for repackaged services
- Recommending improvements to DGO tracking of service-level costs and revenues in the financial system.

We will perform the services in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we will provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. The procedures we will be performing will not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards.

The overall definition and scope of the work to be performed is the DGO’s responsibility. We will report to and take direction directly from your appointed project liaison. DGO is responsible for the implementation of actions identified in the course of this engagement and the results achieved from using any services or deliverables. We have not been engaged to and will not perform management functions, make management decisions, act, or appear to act in a capacity equivalent to that of an employee. DGO remains responsible for the proper implementation and operation of an adequate internal control system.

 <div>WORK PLAN</div> 
PHASE 1: START-UP AND MANAGEMENT
1. Conduct kickoff meeting with DGO project team and confirm ISD philosophy and priorities.
2. Conduct project management and ongoing progress reporting.
PHASE 2: POLICY AND PROCEDURE DEVELOPMENT
1. Assist DGO with development of policies that clarify the purpose, role, and intent of DGO ISFs. Policies will provide high-level guidance to support operational consistency across divisions and enhance the customer experience.
2. Upon completion of Phase 4 (see below), we will assist DGO with development of procedures around core ISF functions, including rate packaging, rate setting and adjustments, rate monitoring and reporting, rebate determinations and processing, customer payment processing, and customer feedback.
3. Submit policies and procedures to DGO project team for feedback.
4. Revise policies and procedures accordingly and provide to management for adoption.
PHASE 3: RATE PACKAGING ANALYSIS
1. Evaluate existing service packages of rates and application of overhead costs for alignment with peer practices, industry practices, customer feedback from the 2022 audit report, and newly developed policies and procedures. We will leverage our audit results to inform recommendations for rate repackaging in alignment with adopted policy.
2. Develop a crosswalk of prior and recommended service packages to ensure all services are included and clearly identify changes to the existing framework.
3. In collaboration with individual division leadership, assist DGO with securing appropriate approvals for rate repackaging strategy. of services to achieve DGO goals and objectives.
4. Identify opportunities to optimize tracking revenues and expenses efficiently and effectively for rate packages in the financial system.
PHASE 4: RATE DETERMINATIONS
1. Request additional data, such as historical service usage, overhead costs, service costs, and service revenues for up to three prior fiscal years.
2. Analyze historical data to identify potential trends and help inform the establishment of new rates to align with policies.
3. Evaluate division budgets in comparison to historical trends to inform anticipated expenses, overhead costs, levels of service, and associated charges.
4. In collaboration with individual division leadership, assist DGO with development of recommended rates to achieve DGO goals and objectives.

DELIVERABLES



- ISF policies and procedures
- Recommended rate packages
- Preliminary rate recommendations and historical analysis

TIMELINE



- Approximately 6-8 months, starting January 2023 and delivery by August 2023.

FEES



- Hourly rates are set at \$225
- Anticipated cost \$112,500
- Fee amounts do not include out-of-pocket travel expenses, which are billed at cost.

STAFFING



- Steve Bacchetti, Partner – Quality Assurance
- Tammy Lohr, Senior Manager – Project Manager
- Maria Stroth, Manager – Policy and Procedure Lead
- Henry Morris, Senior – Analyst
- Tommy Conkling, Senior – Analyst