LOUISIANA LEGISLATIVE AUDITOR

BEST PRACTICES GUIDE
PLANNING THE ACQUISITION OF MOVABLE PROPERTY

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August 10, 2005

This report is the culmination of a collaborative effort among the Louisiana Legislative Auditor's Office, the Commissioner of Administration, and several state agencies. The purpose of this report is to provide a framework to help state government agencies develop a disciplined approach to planning the acquisition of movable property (equipment and information technology). Local government can also benefit from using the practices in this report.

Since 1989, Louisiana has been working toward implementing "Managing for Results." This process has improved over the years because of the commitment and support of both executive and legislative leadership. Effective planning for the acquisition of movable property is important for the success of "Managing for Results." Large sums of taxpayer funds are spent on equipment and information technology and the performance of these assets affects how well agencies are able to achieve their missions, goals, and objectives and provide service to the public.

The report is divided into two sections: "Best Practices Guide" and "Current Practices in Louisiana State Government."

The "Best Practices Guide" provides a step-by-step description of the six basic elements for developing a disciplined approach to planning the acquisition of movable property. The elements are based on research conducted by the Legislative Auditor.

The "Current Practices in Louisiana State Government" section provides you with general information on the acquisition of movable property in Louisiana. In addition, this section provides you with the results of our survey of nine state agencies to determine whether state agencies current practices include some of the six basic elements. This section also contains information regarding related policies and procedures that the state has already implemented and barriers to implementing the best practices.

PLANNING THE ACQUISITION OF MOVABLE PROPERTY

We would like to thank officials from the following organizations for their efforts in helping to create this guide:

- Division of Administration - Office of Information Technology
- Division of Administration - Office of Planning and Budget
- Department of Transportation and Development - Office of Engineering and Operations
- Department of Public Safety - Office of State Police
- Department of Health and Hospitals - Office of Public Health
- Department of Wildlife and Fisheries - Office of Secretary
- Department of Social Services - Office of Secretary
- Department of Labor - Office of Workforce Development
- Louisiana School for Visually Impaired
- Department of Culture, Recreation and Tourism - Office of State Parks
- Department of Veterans Affairs - Southwest Louisiana War Veterans Home

Sincerely,

Jerry Luke LeBlanc
Commissioner of Administration

Steve J. Theriot, CPA
Legislative Auditor

CTS:PWG:ss

Page

Appendixes:

About the Guide

This guide provides the user with an introduction to our best practices guide and an overview description of the three phases and six basic elements for developing a disciplined approach to planning the acquisition of movable property. Following the overview description of the guide, the phase and the basic elements within that phase are described in more detail. A checklist is provided for each basic element to summarize needed action for the user. Finally, the "Self Assessment" provides the user with questions to evaluate the degree to which their policies and procedures are adhering to the basic elements.

The best practices guide is divided into three major phases:

- Phase 1: Identify and assess equipment needs

- Phase 2: Justify and prioritize equipment needs

- Phase 3: Evaluate the acquired equipment

Phase 1 provides the user with a description of how to identify and assess equipment needs. The user is given the basic framework for conducting a comprehensive needs assessment and determining the gap between current and needed capabilities.

Phase 2 gives the user a step-by-step description of how to justify and prioritize equipment needs. The justification process also includes four components needed to create a decision package for the requested acquisition.

In Phase 3, the user can learn how acquisitions of movable property should be evaluated. In addition, this phase provides the user with information for evaluating the process for planning acquisitions of movable property.

Introduction

Best practice literature states that effective planning for the acquisition and management of capital assets is an important task because large sums of taxpayer funds are spent on acquisitions and because the assets' performance affects how well agencies are able to achieve their missions and goals and provide service to the public. In addition, increasing budget pressures and demands to improve performance in all areas puts pressure on agencies to make the most effective acquisition choices. Planning should be undertaken because it results in better use of scarce resources and makes decision-making and implementation easier.

The federal government has issued guidelines and requirements and conducted other research for federal agencies to follow and use in developing disciplined capital programming processes. According to this research, a formal capital asset management

infrastructure is a best practice used throughout industry and by many government agencies to establish clear lines of authority, responsibility, and accountability for the management of capital assets. The federal government defines capital assets as land, structures, **equipment**, intellectual property, and **information technology** that have a useful life of two years or more.

According to federal research, a formal capital asset management infrastructure is a continuous cycle with four main components. The cycle consists of planning, budgeting, procurement, and management-in-use, as shown in Exhibit 1. Our report mainly focuses on the planning component, which is the first and as research suggests the most important part of the capital planning process since it drives the other three components. In

Exhibit 1
Capital Asset Management Cycle

PLANNING
Identify, Justify, and Prioritize Needs

MANAGEMENT-IN-USE
Evaluate Movable

Capital Asset Management

BUDGETING

PROCUREMENT

Source: Prepared by legislative auditor's staff using the federal Office of Management and Budget's Capital Programming Guide, 1997.

addition to our focus on planning, we also reviewed, to some extent, the evaluation aspect of the management-in-use component or the evaluation of movable property acquisitions.
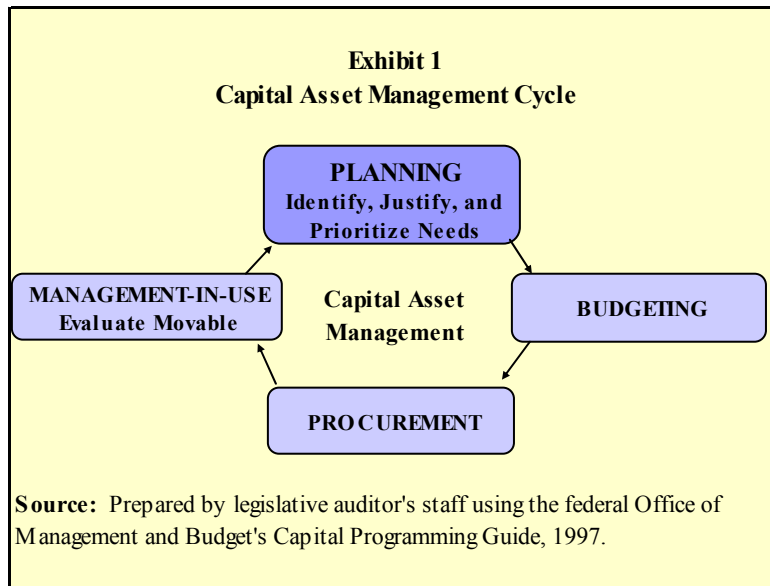
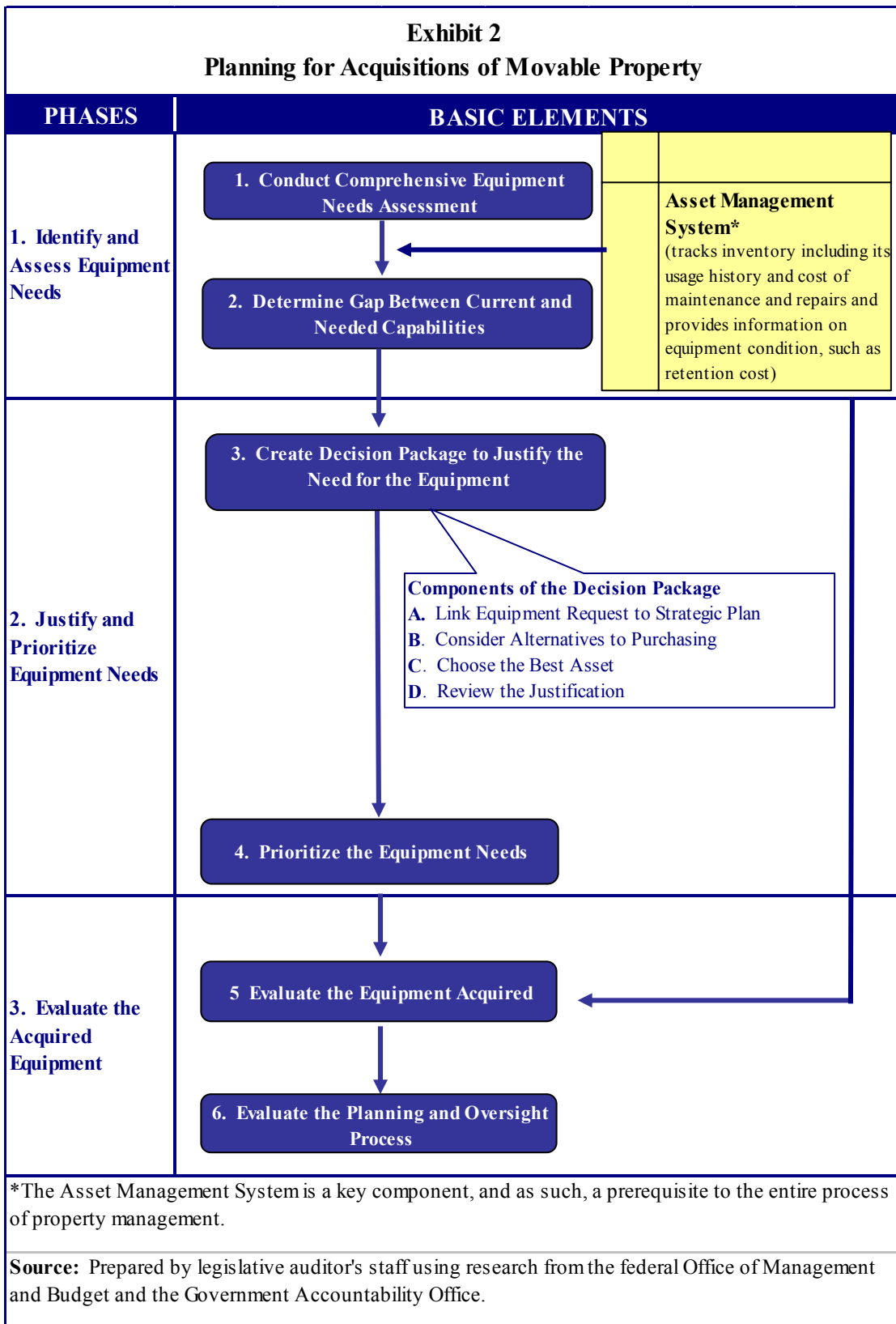Based on our research, we have concluded that even though there are differences in the mission and functions of departments and agencies throughout the state, all departments and agencies should have some type of consistent planning process used before acquiring movable property. When oversight entities develop policies and procedures designed to help plan for the acquisition of movable property, it is important to consider the six basic elements of a capital planning process that leading organizations have deemed to be best practices. The degree to which the suggested basic elements are implemented should also depend on the significance of individual acquisitions in dollar terms and in terms of size, complexity, and organization-wide impact. Exhibit 2 on the following page provides the user with a flowchart of the six basic elements for each major phase of an acquisition planning process.   In addition to the decision package documentation for the justification process, the other elements of the planning process should be documented.

Exhibit 2
Planning for Acquisitions of Movable Property

PHASES	BASIC ELEMENTS

1. Identify and Assess Equipment Needs

1. Conduct Comprehensive Equipment Needs Assessment

Asset Management System*
(tracks inventory including its usage history and cost of maintenance and repairs and provides information on equipment condition, such as retention cost)

2. Determine Gap Between Current and Needed Capabilities

2. Justify and Prioritize Equipment Needs

3. Create Decision Package to Justify the Need for the Equipment

Components of the Decision Package
A. Link Equipment Request to Strategic Plan
B. Consider Alternatives to Purchasing
C. Choose the Best Asset
D. Review the Justification

4. Prioritize the Equipment Needs

3. Evaluate the Acquired Equipment

5 Evaluate the Equipment Acquired

6. Evaluate the Planning and Oversight Process

*The Asset Management System is a key component, and as such, a prerequisite to the entire process of property management.

Source: Prepared by legislative auditor's staff using research from the federal Office of Management and Budget and the Government Accountability Office.

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Phase 1: Identifying and Assessing Equipment Needs

Elements

1. Conduct Comprehensive Equipment Needs Assessment	
2. Determine Gap Between Current and Needed Capabilities	**Asset Management System** (tracks inventory including its usage history and cost of maintenance and repairs and provides information on equipment condition, such as retention cost)
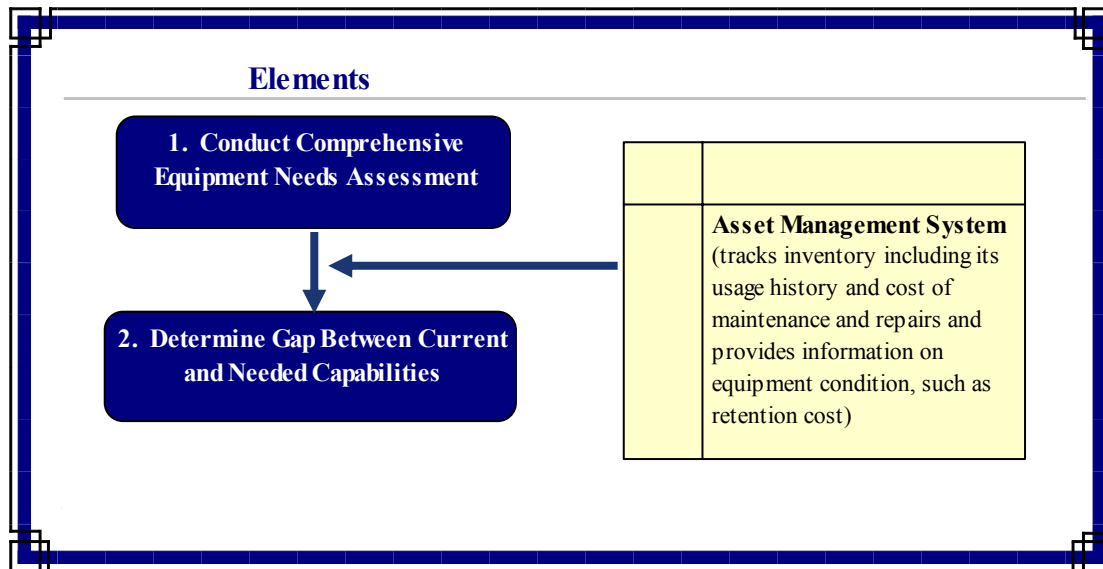
In this phase, agencies should conduct a comprehensive equipment needs assessment or an analysis of program requirements before making capital asset decisions, as part of the strategic planning process. Agencies and divisions may also identify additional or different equipment needs as they try to provide and improve services to the public. Equipment may also unexpectedly break down, become damaged, out live its useful life, or no longer be cost-efficient to operate. Also, many other unexpected internal and external environmental factors can change equipment needs for an agency.

Agencies should have in place an asset management system to help them identify their equipment needs and to support the entire capital asset management process. Once potential equipment needs have been identified, agencies should assess their current asset inventory and determine if there is a gap between current and needed capabilities.

The following pages offer guidance to agencies in identifying and assessing equipment needs. By employing these elements, an agency can be assured that it has followed a sound course in beginning to effectively plan for the acquisition and management of the state's movable property.

Basic Element 1: Conduct Comprehensive Equipment Needs Assessment

According to GAO's guidelines,[1] leading organizations conduct a comprehensive needs assessment. The needs assessment helps the organization identify the resources, such as capital assets, needed to fulfill both immediate requirements and anticipated future needs.   The needs assessment should be based on results-oriented goals and objectives that flow from the organization's mission, as described in the strategic plan.

GAO suggests that this assessment is often the first step in an organization's capital planning and budgeting process. The assessment also includes an examination of an entity's primary role and organizational structure and an assessment of its internal and external environment so that the organization can successfully respond to its environment. For example, an organization's external environment may be impacted by projected funding, mandates to coordinate with other agencies, and procurement regulations.

Checklist:

☐ Determine resources needed by conducting a comprehensive needs assessment on an annual basis.

☐ Ensure that needs assessment is based on the agency's mission, goals, and objectives.

☐ Determine agency's internal and external environment by assessing strengths and weaknesses of various factors, including the agency's capital assets.

Self-Assessment:

✓ **What equipment and information technology does my agency need to meet its mission, goals, and objectives and the overall governmental entity's vision (i.e., overall state or government entity)?**

✓ **What internal and external factors impact my agency's operations?**

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[1] United States Government Accountability Office (GAO): *Executive Guide: Leading Practices in Capital Decision-*

Basic Element 2: Determine Gap Between Current and Needed Capabilities

According to GAO and OMB[2] guidelines, leading organizations identify the equipment's current capabilities and determine if there is a gap between current and needed capabilities. GAO and OMB both recommend an asset management system. According to our research, the system should track general asset information, its condition, breakdown history, repair history and cost, and scheduled maintenance and costs. According to our research, routinely assessing the condition of major assets allows managers and other decision makers to evaluate the capabilities of current assets, plan for future asset replacements, and calculate the cost of deferred maintenance.

Leading organizations use asset management systems to evaluate the performance of assets and facilities as well as the physical condition of assets. Without such an asset management system, agencies may not be able to readily determine what equipment is needed to fulfill strategic goals and objectives. In addition, a state or departmental-wide database that combines inventory, maintenance costs, location, usage, and condition records may make it easier to share resources throughout the state or within departments and could help reduce unnecessary purchases.

Checklist:

☐ Determine the thresholds for tracking asset information depending on the significance in terms of dollars and in terms of importance to the agency's mission.

☐ Develop an asset management system to track general asset information, its condition, breakdown history, repair history and cost, scheduled maintenance history and costs, and other information that may be useful to the users of the system.

☐ Use asset management system to identify equipment's current capabilities.

☐ Determine if there is a gap between equipment's current and needed capabilities.

Self-Assessment:

✓ **For each piece of equipment, within our threshold, do we maintain an inventory that includes its condition, breakdown history, repair history and costs, and scheduled maintenance and costs?**

✓ **Do we use the information obtained from the asset management system to help determine equipment needs?**

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[2] The federal Office of Management and Budget's (OMB) *Capital Programming Guide,* 1997.
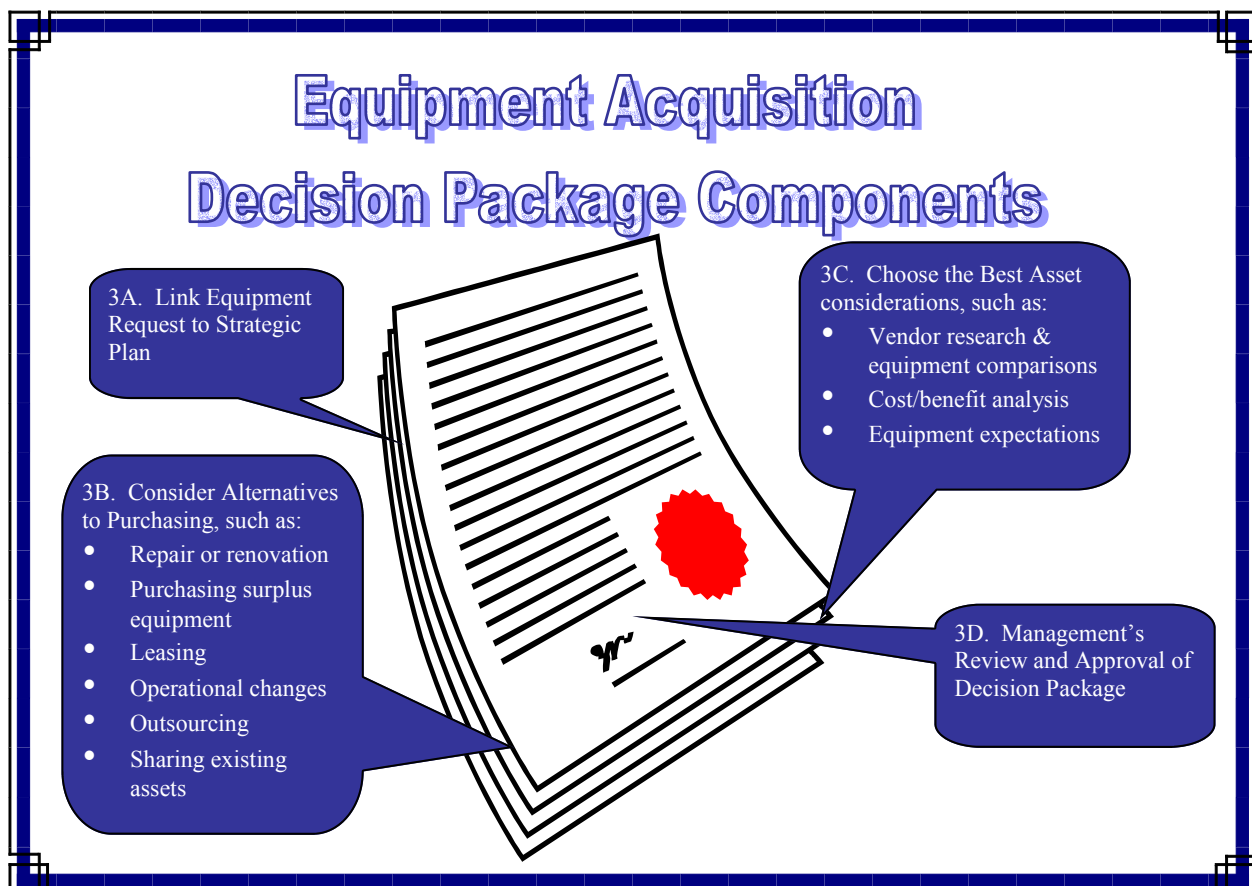
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Phase 2: Justifying and Prioritizing Equipment Needs

Once equipment needs are identified through a needs assessment and gap identification process in Phase 1, the need for the equipment should be justified and prioritized during Phase 2. The justification process (basic element 3) consists of written justification or a **decision package** which should document considerations for converting a possible equipment need into an actual equipment need. According to GAO's guide, leading organizations studied use a decision package to justify capital project requests and major acquisitions. Decision packages provide decision-makers with a valuable tool for analysis and planning at the time the investment proposal is being considered.

The decision package should not only show what equipment is actually needed, but it should show how purchasing the equipment will lead to the most efficient and effective way of accomplishing the agency's strategic plan's goals and objectives. In addition, the package should be reviewed by various levels of management. According to the GAO, the level of documentation and ultimately the level of review will depend on the size, complexity, and cost of the request. The major components of the decision package are graphically summarized below and explained in more detail on the following pages.

Once the need is justified, it should be prioritized based on established criteria so that the equipment can be placed into a long-term capital plan and eventually budgeted for and purchased. The prioritization process (basic element 4) is described in detail on page 16.

Equipment Acquisition Decision Package Components

3A. Link Equipment Request to Strategic Plan

3B. Consider Alternatives to Purchasing, such as:
- Repair or renovation
- Purchasing surplus equipment
- Leasing
- Operational changes
- Outsourcing
- Sharing existing assets

3C. Choose the Best Asset considerations, such as:
- Vendor research & equipment comparisons
- Cost/benefit analysis
- Equipment expectations

3D. Management's Review and Approval of Decision Package

Basic Element 3A: Link Equipment Request to Strategic Plan

Justification and documentation in the decision package should be in a strategic context clearly showing how an investment in a capital asset is linked to strategic goals, according to GAO guidelines.

Also, OMB guidelines emphasize the importance of linking capital asset planning, funding, and management to agency strategic plans and annual performance plans. In addition, according to OMB, capital assets should be planned for, acquired, and managed in light of their ability to contribute to accomplishing program outputs and outcomes, as described in the agency's strategic plan.

Checklist:

☐ Include acquisitions meeting strategic elements in decision package.

☐ Evaluate other acquisition requests to determine if there is a strategic linkage.

☐ Document how other needed acquisitions contribute to strategic plan progress in the decision package.

Self-Assessment:

✓ **Is there adequate internal two-way communication of my agency's vision, mission, and strategic goals so that managers at all levels can work to produce plans and capital asset initiatives that outline their individual strategies for achieving top-level goals?**

✓ **Is my agency's request for equipment and information technology linked to my agency's strategic plan and does it contribute to the achievement of our mission, goals, and objectives as well as the overall governmental entity's plans (i.e., overall state or government entity)?**

✓ **Has my agency established policies and procedures to document the strategic linkage as part of the decision package?**

Basic Element 3B: Consider Alternatives to Purchasing

According to GAO guidelines, as part of their decision packages, leading organizations identify and evaluate alternative approaches (including non-capital approaches) to decide how best to meet the gap between current and needed resources. Furthermore, before purchasing new assets, there is a wide range of alternatives to consider, including the repair and renovation of existing assets.

According to OMB guidelines, agencies should also consider operational or business process improvements rather than equipment improvements. These improvements include introducing competition, cutting red tape, empowering employees, and putting customers first or removing the function.

Checklist:

☐ Identify and evaluate other potential methods besides purchasing new equipment to meet needs, such as:

- ❑ Repairing or renovation
- ❑ Purchasing surplus equipment
- ❑ Leasing, buy-back contracts, or third-party financing
- ❑ Operational changes to internal processes
- ❑ Outsourcing to private sector
- ❑ Sharing existing assets with other agencies through greater coordination.

☐ Determine whether the function for which the equipment is being acquired is essential to fulfilling the organization's core responsibilities.

☐ Determine if the organization has specific expertise to perform the function well and cost-effectively.

Self-Assessment:

✓ **Are there other ways that my agency's needs can be satisfied without purchasing new equipment or information technology?**

✓ **Is there an alternative private sector or governmental source that can better support the function for which the equipment is being acquired that could eliminate the need for my agency to purchase the equipment?**

✓ **Have my agency's work processes been simplified or otherwise redesigned to reduce costs and improve effectiveness before new equipment is purchased?**

✓ **Are there other funding options available, such as leasing, buy-back contracts, and third-party financing that my agency could use?**

✓ **Has my agency established policies and procedures for documenting consideration of alternatives in the decision package?**

Basic Element 3C: Choose the Best Capital Asset

As part of the decision package and depending on the asset's size, complexity, and cost, OMB guidelines suggest that when the decision is made to evaluate the feasibility of acquiring a capital asset, management should conduct market research and cost-benefit analysis to determine the various asset alternatives that are available in the market to satisfy the requirements. The feasibility analysis should also include plans for asset evaluation, operation and maintenance, and disposal.

- **Vendor research and equipment comparisons:** The agency should conduct market research through research of published information, talking to other agencies that have conducted similar market research, and/or going directly to the market for information.

- **Cost/benefit analysis:** A thorough cost benefit analysis should clearly show the full cost of the equipment (initial and life-cycle costs[3]) along with the monetary and intangible benefits of purchasing the equipment. According to GAO, leading organizations use decision packages supported by detailed economic and financial analyses, which include cost/benefit analysis, before committing resources. This analysis allows decision-makers to make more informed decisions and allocate funding more accurately and cost-effectively.

- **Equipment expectations:** Agencies should begin planning for the asset evaluation, operation, maintenance, and disposal of the equipment before it is purchased. Assets should be disposed of when they are no longer needed to fulfill the goals and objectives of the agency or are not cost beneficial to keep. Disposal of an asset is typically the end of the asset's life cycle.

Checklist:

☐ Conduct market research with respect to a specific planned acquisition to determine availability.

☐ Conduct cost/benefit analysis to help choose the best asset by comparing the initial acquisition cost and other life-cycle cost elements of the various alternatives.

☐ Consider if assets will be fully funded or funded in useful segments (i.e., budgetary considerations).

☐ Plan the acquisition strategy as to contract type and competition (i.e., procurement code).

☐ Determine how the asset will be managed, once it is in use by considering operational analysis, operations and maintenance, and disposal.

☐ Determine if there are established policies and procedures for documenting the research, cost/ benefit analysis, expectations, and other considerations in the decision package.

Self-Assessment:

✓ **Can the market provide capital assets that partially or fully meet my program's requirements?**

✓ **Which assets are the most cost beneficial to my agency and should be included in the group of proposed assets?**

✓ **How will the new assets be operated, maintained, evaluated, and eventually disposed of?**

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[3] Life-cycle costs include all initial costs, plus the periodic or continuing costs of operation and maintenance (including staffing costs), and any costs of decommissioning or disposal.

Basic Element 3D: Review the Justification

According to the GAO guidelines, leading organizations also establish a process to review and approve their decision packages. GAO guidelines also state that an approval framework can mean decisions are made more efficiently and supported by better information.

In addition, OMB guidelines state that each agency should establish a formal process for senior management to review and approve the assets that make up the plan before it is presented to the agency chief executive for approval. However, OMB also states that the number of times a capital asset acquisition plan is reviewed by senior management should be based on the associated level of risk involved in the acquisition. The cost of an asset and its importance to achieving the agency mission should also be taken into consideration when defining criteria for executive review.

Checklist:

☐ Determine the various levels of upper management review needed for acquisition requests based on the risk and costs associated with the acquisition.

☐ Develop policies and procedures that define criteria for upper management review of decision packages.

Self-Assessment:

✓ **What levels of management should review the decision package for acquisitions at my agency?**

✓ **What are the costs and risk factors that my agency should consider in establishing thresholds for policies and procedures for reviewing acquisition request packages?**

✓ **How should requests for acquisitions be processed and reviewed at my agency?**

Basic Element 4: Prioritize the Equipment Needs

Once it is determined that equipment is needed through the justification process, equipment needs should be prioritized for placement into a long-term capital plan. The plan should be used for the budget request and ultimately for purchasing. A thorough justification as described previously in this guide should help prioritize needs based on established criteria, such as available funding, the importance of goals and objectives, equipment cost and benefits, and other considerations.
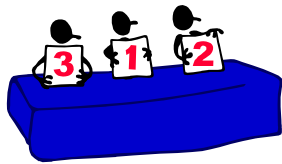
According to GAO guidelines, leading organizations rank and select projects based on their established criteria. The criteria may differ from one organization to another. Furthermore, OMB suggests that agencies should prioritize capital investments that maximize the return to the taxpayer and the government in monetary terms as well as outcomes and outputs. OMB recommends that agencies implement a scoring procedure to rank the various acquisitions.

Checklist:

☐ Establish a formal process to prioritize acquisition requests.

☐ Define criteria to rank and select acquisitions and include the criteria in related policies and procedures. Examples of criteria could include available funding, increased cost savings, alignment with organizational strategies, safety concerns, other risks, and political implications.

☐ Document how acquisition requests were prioritized based on established procedures.

Self-Assessment:

✓ **What criteria should my agency use to rank and select competing acquisition requests?**

✓ **What is the process that my agency should use to prioritize equipment acquisitions?**

✓ **How should my agency document our prioritization process?**

Phase 3: Evaluating Acquired Equipment

Elements

5. Evaluate the Equipment Acquired

6. Evaluate the Planning and
Oversight Process
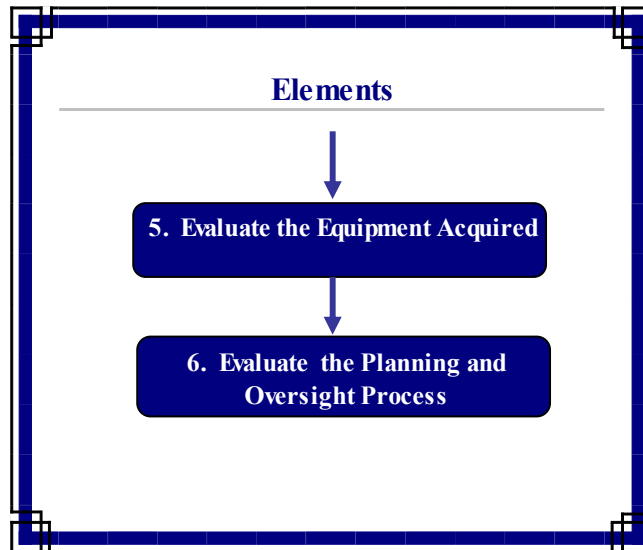
After the purchase is made, the inventory and maintenance records and the justification process, described in Phases 1 and 2, should also be used to help evaluate the purchased equipment. In addition, the process used to plan for purchase of the equipment should also be evaluated. Ultimately, the results of the evaluation should be incorporated into the next strategic planning process.

The following pages offer more guidance to agencies in evaluating acquired equipment. By evaluating the acquisitions, an agency can monitor results to ensure that goals have been met and that resources have been used efficiently and appropriately. An agency can use the planning process evaluation to improve the performance of future projects through a modification of the existing process.

Basic Element 5: Evaluate the Equipment Acquired

Best practices suggest that agencies establish procedures to determine movable property efficiency and effectiveness. According to OMB, oversight mechanisms should be established to determine how mission requirements might have changed. In addition, these mechanisms should determine whether the asset fulfills ongoing and anticipated mission requirements, delivers intended benefits to the agency and customers, and meets user requirements.

To evaluate the asset, OMB recommends the agency conduct operational analysis to collect information concerning a capital asset's performance and to compare performance with an established baseline. The asset performance measures should include how well the asset supports customers and stakeholders and how well the agency manages the asset. The measure should result in a determination as to the asset's continued use, modification, improvement, or termination.

As previously mentioned, an operations and maintenance plan should also be incorporated into the asset's procurement process and be properly executed. Proper maintenance can ultimately prove less expensive than more frequent asset replacement. However, operational analysis should indicate when new technology can make the replacement of an asset less expensive than maintenance of the existing asset.

Checklist:

☐ Identify a measurement system as soon as the asset is operational that benchmarks its cost and performance to monitor and evaluate the asset individually and strategically.

☐ Establish procedures to measure the equipment's efficiency (i.e., cost to maintain, repair, inspect) and effectiveness (i.e., percentage of time equipment is out of service).

☐ Collect data on the asset's performance from the asset management system and compare to established criteria or benchmarks (i.e., operational analysis).

☐ Determine continued use of the asset and other changes needed based on operational analysis.

☐ Determine equipment's maintenance schedule.

Self-Assessment:

✓ **How does my agency determine whether our equipment is operating efficiently and effectively?**

✓ **Has my agency established a maintenance plan for the equipment?**

✓ **Has my agency established an evaluation process to ensure that needed changes to acquisitions are appropriately made?**

Basic Element 6: Evaluate the Planning and Oversight Process

Agencies should evaluate the entire planning and decision-making process to determine whether its planned and purchased equipment helped accomplish the intended goals. According to GAO guidelines, leading organizations evaluate results to determine whether organization-wide goals have been met. Furthermore, leading organizations evaluate the decision-making process to reappraise and update the process to ensure agency goals are met.

According to OMB's *Capital Programming Guide*, a formal planning process would help departments and agencies make decisions on the best use of available funds to achieve strategic goals and objectives.   A formal planning process will also provide departmental management with information on acquisition and life cycle costs, schedules, and performance of current and proposed capital assets. Without a capital planning process there is little accountability for the acquisition of movable property. As a result, excessive spending on unnecessary equipment could occur and equipment could be purchased that does not meet expectations or is not consistent with strategic goals and objectives.

Checklist:

☐ Determine whether the planned acquisition helped to accomplish the intended goals.

☐ Establish a formal planning process, including an oversight process, for the acquisition of movable property.

☐ After each cycle, determine whether changes are needed to the planning process to help ensure that agency goals are met. Needed changes may mean amending applicable laws and regulations.

Self-Assessment:

✓ **Are changes needed in my agency's planning process (i.e., laws, regulations, policies, and procedures) to ensure that our strategic goals are met?**

✓ **How does my agency plan for acquisitions of movable property?**

✓ **Are there any guidelines for planning acquisitions of movable property at the agency level?**

✓ **Are there any guidelines for planning for acquisitions of movable property at the state-wide level?**

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Introduction

This section of our report provides the user with general information on the acquisition of movable property in Louisiana. Also included in this section are the results of our survey of nine state agencies to determine whether any of the agencies are already using some of the six basic elements that we identified as best practices for acquisition of movable property. In addition, we included in the survey results section current state policies and procedures relating to the six basic elements. Finally, barriers to implementing best practices are discussed in the last part of this report section.

Overview of Movable Property Acquisitions in Louisiana

Purpose of Movable Property: State property control regulations define movable property as property that is not attached as a permanent part of a building or structure and its normal use exceeds one year (nonconsumable). State government owns and uses movable property primarily to deliver state services. For the last three fiscal years (2002 through 2004), executive branch agencies, within our scope, purchased over $250 million of movable property. For the fiscal year ended June 30, 2004, the state reported that assets of movable property costing over $5,000 alone totaled approximately $651.8 million (at historical cost).[4] The state's *Comprehensive Annual Financial Report* includes movable property (machinery and equipment) as one of seven major classifications of capital assets. The other six classifications are land, buildings and improvements, park facilities, roads, highways, and bridges.

Oversight of Movable Property: For acquisitions of movable property, state law only provides direction for planning specific purchases of movable property in the area of technology, which includes acquisitions of computer hardware and software. No specific laws are related to the overall planning for other types of movable property acquisitions. State laws place the responsibility for overall planning and procurement oversight with the commissioner of administration. A summary of the state laws that refer to planning and procurement and the office within the Division of Administration (DOA) authorized to carry out state law is shown in Exhibit 3 on the following page.

After movable property is purchased, state law places overall responsibility for movable property control and regulation, including its disposal, with the commissioner of DOA. The commissioner has promulgated regulations that give agencies direction relating to movable property control. The Louisiana Property Assistance Agency (LPAA) is the office authorized within DOA to carry out state laws and regulations relating to movable property control. Within each agency, state laws and regulations require the agency head to

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[4] As reported in the State of Louisiana's *Comprehensive Annual Financial Report*. This figure includes assets with an initial, individual cost of more than $5,000. Movable property is depreciated using the straight-line basis over the estimated useful life of the asset, generally 5 to 10 years.

appoint a property control manager to control and regulate movable property costing $1,000 or more.

Exhibit 3 Summary of State Laws That Refer to Planning and Procurement and Office Authorized to Execute Law		
Statutory Citation	**Authorized Office**	**Description**
R.S. 39:21 R.S. 39:28 R.S. 39:32	DOA Office of Planning and Budget (OPB)	• Reviews all state agencies' current programs and future plans • Develops executive budget from agency operational plans and budget requests • Publishes expected planning standards • Provides budget related and other management services
R.S. 39:15.3	DOA Office of Information Technology (OIT)	• Reviews, coordinates, and standardizes information technology strategic business technology planning, . . . • Implements strategic information technology planning, including the review and approval of the planning, . . . • Oversees and coordinates the centralization of technology and data processing systems, including consolidation, outsourcing, and sharing statewide government information technology resources and services
R.S. 39:1551-1736	DOA Office of State Purchasing (OSP)	• Gives the commissioner of administration the power to regulate procurement practices including simplifying, clarifying, and modernizing the law regarding procurement • Allows the commissioner of administration to establish a Procurement Advisory Council to discuss recommendations for improvement in the procurement process • Requires the central purchasing agency to maintain a close and cooperative relationship with the using agencies
Source: Prepared by legislative auditor's staff based on research of state laws and regulations.		

Expenditures for Movable Property: As summarized in Exhibit 4 on the following page, agencies reporting through the Integrated Statewide Information System (ISIS) spent $68 million to purchase various types of movable property during the fiscal year ended June 30, 2004.[5] These expenditures are down from the $91 million spent in each of the two previous fiscal years. Acquisitions of computer hardware, automobiles, and farm and heavy movable equipment are only four of the 50 classes or types of

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[5] This figure does not include purchases of movable property made by higher education, the hospital system, and other non-ISIS agencies that are also a part of the executive branch of state government because these entities are not included in our audit scope. See Appendix A for further explanation.

Exhibit 4				
Summary of ISIS Agencies' Purchases of Movable Property by Type of Acquisition and Top Spending Agencies for Each Type of Acquisition For Fiscal Years 2002 through 2004				
Type of Acquisition	**2002**	**2003**	**2004**	**Top Spending Agencies**
Hardware (with an initial individual cost of $5,000 or more)	$15,988,177	$14,981,164	$12,224,034	**2002** DOTD - Office of Engineering and Operations **2003** Department of Health and Hospitals (DHH) - Office of Public Health **2004** DOA
Automobiles (with an initial individual cost of $5,000 or more)	16,631,741	12,461,095	10,092,620	**2002** DPS - Office of State Police **2003** DPS - Office of State Police **2004** DPS - Office of State Police
Farm and heavy movables	13,917,088	14,537,509	9,677,879	**2002** DOTD - Office of Engineering and Operations **2003** DOTD - Office of Engineering and Operations **2004** DOTD - Office of Engineering and Operations
Hardware (with an initial individual cost of $1,000 to $4,999)	9,789,872	9,816,968	7,103,999	**2002** Department of Education - State Activities **2003** Department of Social Services - Office of the Secretary **2004** DHH - Office of Public Health
Subtotal for top four types	**$56,326,878**	**$51,796,736**	**$39,098,532**	
Remaining 46 types	34,971,647	39,990,878	28,618,475	
Total spent on acquisitions	***$91,298,525**	**$91,787,614**	**$67,717,007**	
Percentage top four is to total spent	61.70%	56.43%	57.74%	
* Adjusted to remove an additional $6.8 million for 17 agencies reporting to ISIS in fiscal year 2002, but not in fiscal year 2003 or 2004. These agencies did not use ISIS during fiscal years 2003 and 2004 and include the hospital system and community and technical colleges. **Source:** Prepared by legislative auditor's staff using financial data from DOA's ISIS. See Appendix B for a complete listing of amount spent by agency.				

acquisitions, but these four classes account for over half of the total that the ISIS agencies spent. The top spending agencies vary each year for the purchase of computer hardware. However, the Department of Public Safety (DPS)-Office of State Police and the Department of Transportation and Development (DOTD)-Office of Engineering and Operations are consistently the top purchasers of automobiles and farm and heavy movables, respectively, as shown in Exhibit 4.

As shown in Exhibit 5 on the following page, there is an upward trend in spending for acquisitions of movable property during the fiscal year which peaks at year-end (June and July). The average increase from May to June for all three years is 31.68%. According to OPB officials, agencies sometimes delay purchases past the mid-point of the fiscal year to make sure that an executive order is not issued that cuts their budget.

Exhibit 5
Summary of Acquisitions by Month
Fiscal Years 2002 Through 2004
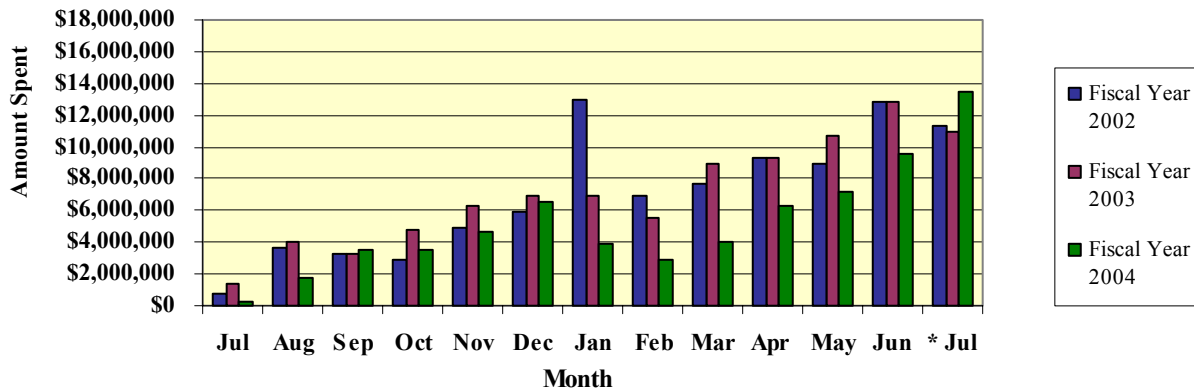
*June is the last month of the fiscal year. However, many purchases ordered before June 30 are paid for in July, the close-out month.
Source: Prepared by legislative auditor's staff using data collected from ISIS.

Other Types of Acquisitions. In addition to purchases of movable property, state agencies also acquire equipment and information technology through alternative methods, such as leases, self-administered internally financed installment purchases through the Louisiana Equipment Acquisition Fund (LEAF), and master installment agreements with a third party. Installment purchase agreements typically allow agencies to pay for equipment for a three- to seven-year period. As shown in Exhibit 6, state agencies reporting through ISIS spent $12.5 million for equipment and information technology leases in the fiscal year June 30, 2004. State agencies also spent $14.6 million to acquire equipment through installment agreements in the fiscal year June 30, 2004. In addition, DOTD acquired $7.2 million in heavy equipment through its buy-back program, as described on page 29.

| Exhibit 6 Summary of ISIS Agencies Expenditures for Equipment Leases and Installment Agreements For Fiscal Year 2004	
Description	**Total Spent**
Equipment Rentals	$10,087,951
Data Processing Equipment Rentals	197,245
Other Rentals*	2,231,930
Total Leases	**12,517,126**
Data Processing Equipment Financing	$6,638,876
Third Party Leases	7,992,563
Total Installment Agreements	**14,631,439**
Total Expenditures	**$27,148,565**

*According to DOA's Chart of Accounts, this category could include apartments, automobiles, aircraft, and boats.
Source: Prepared by legislative auditor's staff using financial data from DOA's ISIS.

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Agency Survey Results

During our surveys of the nine sample agencies, we learned that some of the agencies are already employing some of the basic elements we identified as best practices. In addition, we learned that the two agencies with the most significant amount of acquisitions of movable property during the fiscal years 2002 through 2004 (DPS-Office of State Police and DOTD-Office of Engineering and Operations) use many of the basic elements considered best practices. We also found that the state has established some guidelines relating to some of the basic elements, especially relating to information technology acquisitions, which are also significant in dollar terms. The guidelines that relate to the best practice elements and the agencies that use these elements are summarized for each basic element as described below and on the following pages.
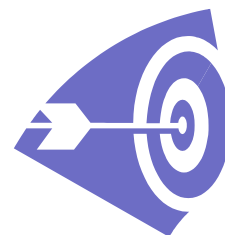
Basic Element 1: Conduct a Comprehensive Needs Assessment

DOA's *Manageware*[6] strategic planning guidelines partially address this element by providing that agencies should conduct an internal/external assessment of their operations. To conduct the assessment, *Manageware* guidelines suggest agencies use a checklist that includes assessing the strengths and weaknesses of many factors, including the agency's capital assets. The checklist also includes several external factors, such as economic variables (i.e., budget constraints) and statutory requirements (i.e., procurement code).

The DOL-Office of Workforce Development provided us with documentation of its internal/external assessment or SWOT[7] analysis. According to DOL officials, each division recently performed this analysis to help the divisions determine what equipment and resources are needed to perform certain tasks. We reviewed one SWOT analysis that identified the division's outdated inventory system as a weakness. The division also identified upgrading the system to allow scanning of property tags as an opportunity. The agency's SWOT analysis indicates the beginning stages of identifying needs and planning for purchases.

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[6] *Manageware* is the state's management manual that describes Louisiana's integrated processes for policy development, strategic planning, program budgeting, capital budgeting, and performance accountability. The DOA's Office of Planning and Budget (OPB) publishes *Manageware*.

[7] According to *Manageware*, a SWOT analysis is a review of an organization's internal strengths and weaknesses and external opportunities and threats.

Basic Element 2: Determine Gap Between Current and Needed Capabilities

All the sample agencies we reviewed are keeping an asset inventory on LPAA's Protégé system, the state-wide movable property inventory database implemented in June 2003. Protégé tracks vehicles' usage, repair history and costs, and maintenance history and costs, but it does not track this information for other types of equipment.

State regulations also give the commissioner authority to allow certain agencies to use their own data processing facilities for their inventory control systems and to maintain and use those systems provided those inventory systems can meet the requirements of the State Property Control laws and regulations. Those agencies which receive written permission from the commissioner through the LPAA director to use their own data processing facilities for inventory control are required to coordinate through the DOA-Office of Information Services to complete conversion programs for transferring the agency master file information to Protégé.

The DPS-Office of State Police and the DOTD-Office of Engineering and Operations have developed asset management systems for some of their equipment to better meet their needs. The DPS-Office of State Police uses its system for vehicles and the DOTD-Office of Engineering and Operations uses its system for vehicles and farm and heavy movables. These two agencies provided us with documentation that shows their databases track usage, condition, breakdown history, repair history and cost, and scheduled maintenance history and costs, as best practices recommend.

For example, according to Office of State Police officials, their system meets their needs better because it is designed for law enforcement entities and tracks repair costs in more detail than the Protégé system. It tracks parts and labor, similar to a service department in a car dealership, and the system also maintains the parts inventory. According to DOTD officials, their asset management system was implemented before (about 20 years ago) the Protégé system and interfaces with many of DOTD's other systems. It also generates a report that shows equipment operating beyond its economic useful life.

In addition to Protégé, all the other agencies we interviewed are also keeping maintenance and condition records manually or in separate databases for major operating equipment, such as mail machines and boats because Protégé does not track this information for other types of equipment.

Five of the agencies (DPS-Office of State Police, DWF-Office of Secretary, DOTD-Office of Engineering and Operations, DSS-Office of Secretary, and DHH-Office of Public Health) said they use their databases and other records to help them make purchasing decisions, as best practices also suggest. DPS-Office of State Police officials also reported they use their fleet management system almost exclusively to make vehicle purchasing decisions.

Basic Element 3A: Link Equipment Request to Strategic Plan

Most agencies we reviewed use some type of informal justification process as part of the budget request process. The Office of Information Technology (OIT) master plan mirrors many of the basic elements contained in this report, especially the need for strategic alignment. The OIT requires agencies to fill out an IT-10 for OIT to perform IT procurement oversight. The IT-10 form is a multi-part form similar to a decision package that allows agencies to document linkage to strategic goals, as well as cost and benefits, and other justification considerations when requesting information technology acquisitions.

To determine strategic linkage, we reviewed IT-10 forms contained in budget request packages of three of the sampled agencies with significant information technology purchases (DSS-Office of Secretary, DHH-Office of Public Health, and DOL-Office of Workforce Development). DOL-Office of Workforce Development presented the best example of strategic linkage on its IT-10 form.

In addition, state law[8] requires that documentation be kept of considerations, including resource (i.e., equipment) needs, that led to the development of the strategies included in the strategic plan. The strategic plan also guides both operational planning and budgeting and capital outlay planning and budgeting.

There are six agencies (DPS-Office of State Police, DSS-Office of Secretary, DOL-Office of Workforce Development, CRT-Office of State Parks, Department of Veterans Affairs, and DHH-Office of Public Health) that documented to some extent in their strategic plan acquisitions needed to meet the goals and objectives of the department or division. DPS-Office of State Police's strategic plan best meets suggested criteria because there are several instances where it designates both what will be replaced and when it will happen. The other five agencies' strategic plans include several general strategies to increase technology.

OPB's continuation budget request instructions (form CB-8, Part B.) also require agencies to cite performance indicators to justify increases in funding for acquisitions and other types of expenditures. The DPS-Office of State Police also demonstrated linkage from planned equipment acquisitions in the budget request to the strategic plan. This office linked planned acquisitions to strategies in the strategic plan on 68% of their CB-8 forms for the fiscal year 2004. Exhibit 7 on the following page shows an example of the DPS-Office of State Police's linkage from the CB-8 to the strategic plan.

[8] The Louisiana Government Performance and Accountability Act.

Exhibit 7
Example of Linkage From Requested Acquisitions to Strategic Plan

DEPARTMENT NAME: PUBLIC SAFETY		CONTINUATION BUDGET PACKAGE	CB-8-14 OTHER
AGENCY NAME: OFFICE OF STATE POLICE		FISCAL YEAR 2003-2004	(9/99)
PROGRAM : OPERATIONAL SUPPORT		AFS AGY: 08-419	

	MEANS OF FINANCING	DOLLARS	
1	STATE GENERAL FUND (Direct)	$4,066,875	
2	STATE GENERAL FUND BY:		
3	INTERAGENCY TRANSFERS		
4	FEES & SELF-GENERATED		
5	STATUTORY DEDICATIONS		
6	INTERIM EMERGENCY BOARD		
7	FEDERAL FUNDS		
8	TOTAL MEANS OF FINANCING	$4,066,875	
9	EXPENDITURES & REQUEST:		
10	Salaries Regular		
11	Other Compensation		
12	Related Benefits		
13	TOTAL PERSONAL SERVICES		
14	Travel		
15	Operating Services	$2,466,875	
16	Supplies		
17	TOTAL OPERATING EXPENSES	$2,466,875	
18	PROFESSIONAL SERVICES		
19	Other Charges		
20	Debt Service		
21	Interagency Transfers		
22	TOTAL OTHER CHARGES		
23	Acquisitions	$1,600,000	
24	Major Repairs		
25	TOTAL ACQ. & MAJOR REPAIRS	$1,600,000	
26	UNALLOTTED		

PROGRAM LEVEL FORM - OTHER ADJUSTMENTS

EXPLANATION:
A. Explain the need for this request.

Digital technology offers a variety of enhancements and benefits. For example, with a digital system voice quality can be significantly better across more of the coverage area with little degradation as the user moves farther from the repeater. The security of a digital system is enhanced because a digital system can provide encryption protection while maintaining high quality audio. And digital offers a number of other advantages as well -- such as integrated voice and data on one channel, along with embedded signaling features -- that expand the capabilities of the system.

Mobile Units	$800,000
Portable Units	$800,000
Smartzone Digital System Upgrade (3 yr LEAF)	$2,466,875
Total Cost	$4,066,875

See IT10/037/04R and IT10/038/04R for detailed justification.
See attached IT10A and IT10B for a breakdown of requested expenditures.

B. Cite performance indicators to explain the adjustment.

This request accomplishes Strategy I.1.7: Ensure that all patrol personnel are provided the safest and most technologically advanced equipment available by:(1) replacing MDC's which their warranties have expired; (2) providing full implementation of in-car cameras; (3) replacing radar's as current radars become obsolete and (4) upgrading the Smartzone 800 Mhz system to digital architecture.

C. Is the requested revenue a fixed amount or can it be adjusted based upon the recommended level of expenditure? Is the expenditure of these revenues restricted to certain line items and/or activities/programs? Explain.

Source: Extract of one of DPS-Office of State Police's CB-8 forms in the agency budget request for fiscal year 2003-2004.

Basic Element 3B: Consider Alternatives to Purchasing

We identified the following alternatives that best practices suggest to purchasing new equipment that our sample agencies use:

- **Repairing, replacing, or upgrading rather than purchasing new equipment:** All of the nine agencies interviewed reported that they consider repairing, replacing, or upgrading current inventory before the decision is made to purchase new equipment. Two of the sampled agencies (DPS-Office of State Police and DOTD-Office of Engineering and Operations) demonstrate more extensive consideration of these factors because these two agencies have a database to track the cost of repairs and maintenance on some of its equipment, as previously mentioned.

- **Purchasing surplus equipment rather then purchasing new equipment:** Eight of the agencies (DWF-Office of Secretary, CRT-Office of State Parks, Louisiana School for Visually Impaired (LSVI), DPS-Office of State Police, DOTD-Office of Engineering and Operations, DHH-Office of Public Health, DSS-Office of Secretary, and DOL-Office of Workforce Development) report and/or we obtained data from LPAA that they purchase some equipment (mostly office) from LPAA and transfer some equipment

Basic Element 3B: Consider Alternatives to Purchasing (continued)

within their agency.   For example, DWF-Office of Secretary and CRT-Office of State Parks both said they transfer equipment within the agency as well as make purchases from LPAA. LSVI officials note that they often purchase state surplus through LPAA. According to DPS officials, the agency transfers vehicles that are no longer safe for troopers to non-enforcement divisions and sends older vehicles to city and parish officials through LPAA. DOTD officials said that they purchase from LPAA and they transfer statewide pool equipment among the districts.

- **Other practices used as alternatives to outright purchasing:** All nine sampled agencies use or plan to use other alternatives instead of outright purchasing movable property.   These alternatives are leases, installment agreements, and buy-back programs. For example, all of the agencies lease some of their equipment, especially office equipment and data processing hardware and software. The DPS-Office of State Police, DOTD-Office of Engineering and Operations, DSS-Office of Secretary, and DHH-Office of Public Health also purchase some equipment through installment agreements, including the LEAF program.

  According to department officials, DOTD has the largest buy-back program in the nation. DOTD officials report that for some of their heavy equipment the department purchases then sells back new equipment rather than buying it outright.

  According to DOTD officials, in this program, construction equipment (dozers, backhoes, loaders, etc.) are purchased for one year with a complete warranty and a guaranteed "buy back" price from the dealer. This program has not only saved on the purchase cost but on downtime and maintenance cost, according to DOTD officials. For example, DOTD officials calculated that in fiscal year 2004, 44% ($7.2 million) of DOTD's heavy equipment acquisitions were obtained through the buy-back program at a proposed cost of $22,240 or less than 1%, after the guaranteed buy-back price is taken into account.

- **Operational changes in lieu of purchasing new equipment:** DOTD's Equipment Management Section is also in the process of proposing legislation for a new way of funding the districts by charging the districts a rental rate on the equipment (i.e., revolving replacement fund). Under this concept, the districts will pay a rental charge on all of their equipment, including equipment that they may not be using. As a result, the districts may decide that some of their equipment is not needed to save money in

Basic Element 3B: Consider Alternatives to Purchasing (concluded)

their individual budget (i.e., reduces the amount of acquisitions and maximizes use of the equipment). Alabama's transportation department has used this concept for at least 20 years. Alabama's revolving fund concept has been recognized as a best practice in state government. Besides promoting efficient equipment utilization, there are other benefits of the program that would also enhance DOTD's equipment management process, according to DOTD officials.

✓ Equipment loss claim amounts from wrecks or other damage to DOTD equipment (about $200,000 per year) would be returned to the district that incurred the loss instead of DOTD's general fund. This settlement would enable replacement right away instead of in 2 years, as occurs currently.

✓ Newer inventory of equipment would be possible that would reduce downtime and maintenance costs. In Alabama, the maintenance equipment inventory is newer with an average age of 5.2 years, as compared to DOTD's inventory with an average age of 11 years.

✓ Greater recovery of salvage value. Alabama law provides that its transportation department can sell its equipment to other state or local agencies or by public auction, with the proceeds going back to the division's (district) account. According to data we received, the sales/salvage program has netted $32 million over 7 years (1996-2002), an average of $4.6 million per year.

• **Sharing existing assets with other agencies:** In 2001, the legislature established OIT to oversee and coordinate the centralization of the technology and data processing systems, including consolidation, outsourcing, and sharing statewide government information technology resources and services. Part of this initiative involves the planning and coordination of information technology acquisitions.

According to an OIT official, some centralization has occurred, and OIT continues to pursue further centralization and consolidation on an incremental basis, where budget, schedule, and personnel resources allow. In addition, shared lines of service, enterprise technical standards, and enterprise license agreements are being established and provide the common groundwork for sharing hardware, software, training resources, and personnel.

Basic Element 3C: Choose the Best Capital Asset

Several of the sample agencies use some of the suggested practices to choose the best equipment for their operations.

- **Vendor research:** Four agencies (DWF-Office of Secretary, CRT-Office of State Parks, DPS-Office of State Police, and DOTD-Office of Engineering and Operations) reported that they research vendors and/or the equipment they are considering before they purchase it. In addition, DPS-Office of State Police and DOTD-Engineering and Operations provided documentation to evidence this consideration. The agency that demonstrated best practices in this area in at least one instance is DPS-Office of State Police. When considering the purchase of new cameras for the trooper vehicles in 1999, the office surveyed other states, conducted product research, and then narrowed the choice down to four potential recorders. Troopers were then allowed to test the four recorders and evaluate them based on established criteria. After the consideration of all available information, a recommendation was made on the type of recorder to purchase for police vehicles throughout the department.

  DOTD's Equipment Management Section officials provided documentation that stated they stay in constant contact with suppliers to ensure specification and purchase of the latest, most innovative types of equipment. As a result of its relationship with the vendors and manufacturers, DOTD is able to obtain a large percentage of its equipment through the buy-back program described previously.

  According to CRT-Office of State Parks officials, the state now allows brand contract purchasing that provides the agency with a list of approved vendors for certain types of equipment. The agency can choose the product line from approved vendors that meets its needs and specifications rather than having to solicit bids from multiple vendors.   This procedure is available to all of state government and demonstrates vendor research and equipment comparisons and is a proactive approach the state uses to acquire equipment.

- **Cost/benefit analysis:** For acquisitions of computer equipment, the OIT requires some elements of a good cost benefit analysis, as part of the IT-10 documentation. In addition, the DPS-Office of State Police provided us with documentation of a purchase that showed it did a fair job of documenting a formal cost/benefit analysis of four potential in-car recorders, as described

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Basic Element 3C: Choose the Best Capital Asset

previously. DSS-Office of Secretary also provided limited cost/benefit analysis of considerations relating to the purchase of a new mail system.

- **Equipment expectations:** CRT-Office of State Parks' officials said that they try to eliminate unnecessary equipment while planning. For example, these officials said they consider maintenance costs before building a new park. As a result, in one instance, agency officials said they chose to build a water playground instead of a swimming pool because playgrounds are easier to clean, require less manpower, and require less maintenance equipment.

  Relating to asset disposal, state regulations define surplus property as any movable state property that is deemed to be of no further use to an agency. State regulations established a formal process for movable property's disposal through the LPAA when it is determined that certain items of property are of no use to the agency or to the state. As previously mentioned, property transferred to the LPAA may be assigned for use in other agencies. It may also be sold to political subdivisions and religious, charitable, or educational organizations, or finally after six months in LPAA's custody sold to the public by auction.

Basic Element 3D: Review the Justification

The review and approval of the justification for equipment replacement/acquisition varies among the sampled agencies and for the most part is an informal process.

Basic Element 4: Prioritize the Equipment Needs

OPB requires agencies to detail the requested acquisitions/replacements on specially designed forms, including each item's priority number. OPB does not require each agency to develop criteria for the prioritization. According to a DOA official, acquisition requests are often deleted from the budget when funding is scarce. Therefore, funding availability should be one of the major criteria considered for prioritizing acquisitions of movable property.

All nine sampled agencies said that they prioritize their equipment needs. However, none of the agencies had established formal criteria for their prioritization process. Most of the agencies said they prioritize equipment purchases because of limited funding. DOTD-Office of Engineering and Operations and the Department of Veterans Affairs provided documentation of their prioritization process.

DOTD's Office of Engineering and Operations appeared to do a good job of prioritizing its requests. This agency bases its prioritization on a report from its asset management system that shows equipment operating beyond its economic useful life, which is in line with best practices criteria. The districts use this report and other information to compile a priority listing of items needing to be replaced.   Items on the list are replaced in priority order until allocated funding for the district is expended.

Basic Element 5: Evaluate the Equipment Acquired

Six of the sampled agencies (CRT-Office of State Parks, Louisiana School for Visually Impaired, DPS-Office of State Police, DOTD-Office of Engineering and Operations, DOL-Office of Workforce Development, and Department of Veterans Affairs) said that they evaluate purchases to determine if the purchases met their needs and is being used effectively. DPS-Office of State Police and DOTD-Office of Engineering and Operations provided information that shows they evaluate purchases more comprehensively than the other agencies.   The Office of State Police said it conducts an informal evaluation of all equipment during the budgeting process. The office also provided documentation of how it evaluated the camera's acquisition, described previously, before approving its purchase for the whole department.

Basic Element 5: Evaluate the Equipment Acquired

DOTD officials provided examples of a "low use" report generated from their asset management system that helps the department monitor and evaluate their equipment usage to some extent. DOTD is also trying to adopt Alabama's revolving fund concept, discussed previously, to help improve equipment utilization and provide more accountability.

Basic Element 6: Evaluate the Planning and Oversight Process

As mentioned previously, there are established state-wide laws, regulations, and guidelines for departments to use when planning for information technology equipment purchases through the OIT. Currently, the state does not have a formal planning process for the acquisitions of movable property, other than information technology. All nine sampled agencies determine their equipment needs through informal acquisition requests coming from the field-users of the equipment rather than established departmental policies and procedures.

The DOA-OPB responsibilities include planning, budget-related services, and other management services. As part of the budget request process, OPB instructs agencies to detail the requested acquisitions/replacements on specially designed forms, including each item's priority number. According to OPB officials, each department should have established procedures for planning for acquisition and disposal (replacement) of its equipment before preparing its budget request.

Barriers to Best Practices Implementation in Louisiana State Government
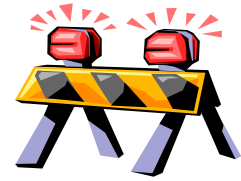
In our discussions with the various agency officials involved in the study, we asked them to describe any roadblocks to implementing the suggested best practices guide. We received a variety of responses, as summarized below. We included the responses into one of the two following categories: Changes Needed to Current Laws, Regulations, Policies, and Procedures and Factors to Consider When Implementing the Best Practices.

Changes Needed to Current Laws, Regulations, Policies, and Procedures

- Current legislation may impede some innovations to asset management procedures. For example, some proposed innovations that would require legislative changes for DOTD include the funding of the districts, the need for a permanent equipment fund, and the capture of all monies related to equipment.

- The procurement code (i.e., low bid and contract requirements) may deter agencies from choosing the best asset.

- If more assets need to be tracked for implementing the best practices guide, the current threshold for tagging movable property may need to be increased.

- The information that is tracked in LPAA's statewide system does not include all the factors outlined in the guide and most agencies do not have their own asset management system.

- The issue of ownership of equipment during the disposal process may need to be amended.

- Existing budget procedures need to be reviewed to determine whether the current processes are consistent with the best practices. For example, procedures may need to be established to track equipment's life-cycle costs and other best practices considerations to further enhance the "Acquisitions" section of the current budget request package.

- The length of the budget process makes it hard to plan for the best asset. For example, it often takes up to two years to receive an asset after the need was first determined. The budget and procurement process need to be examined in light of the best practices guide relating to the length of the state budget cycle.

**Factors to Consider When Implementing
Best Practices**

- Even if following the guide produces a plan for obtaining the best asset, there needs to be a realization that funds may not always be appropriated to purchase the asset because of potential budget shortfalls for acquisitions.

- Implementing best practices needs to be simple and straight-forward so that the process will not become time-consuming and cause additional paperwork.

- The agency's ability to implement the best practices guide may vary greatly depending on the agency's size and function. For example, if a small agency receives mostly federal grants, some aspects of the guide may not work for that agency.

- The comprehensive needs assessment process may duplicate instead of complement current strategic planning requirements, if there is not enough coordination among the parties responsible for both processes.

- Some of the best practices documentation requirements may already be in place, especially for acquisitions of computer equipment. Thus, coordination is necessary to ensure that information is shared, rather than duplicated across all the entities involved in the planning process.

- It may be unproductive to link every piece of equipment needed to the strategic plan and to evaluate whether some types of equipment helped to accomplish the agency's goals. To ensure that the application of the best practices is cost-effective, procedures need to consider the significance of the equipment in monetary terms and in terms of importance to the agency's mission.

- Flexibility needs to be built into the process to adequately address changes in needs and priorities.

- Some exceptions in established procedures for choosing the best asset may be necessary for equipment purchases driven by federal requirements, such as Individual Education Plans.

- Communication is necessary for the successful implementation of the best practices to ensure buy-in from all parties and coordination across the various entities involved in the process, especially relating to sharing existing assets. Staff may need to be trained to implement the best practices.

Research and Survey Scope and Methodology

Research Scope and Methodology: We synthesized information on best practices for users in planning the acquisition of movable property under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended, and applicable generally accepted government auditing standards, as promulgated by the Comptroller General of the United States. These auditing standards provide that performance audits can include the identification of best practices for users in evaluating program or management system approaches.

To identify best practices for planning movable property acquisitions, we performed the following procedures:

- Researched current literature to find best practices information to use as criteria to evaluate the state's planning for acquisition/replacement and disposition of movable property. We used the information listed below as well as other data obtained through Internet searches.

    ➢ United States Government Accountability Office (GAO): *Budget Issues: Agency Implementation of Capital Planning Principles is Mixed (Report to Congressional Committees)*. January 2004.

    ➢ United States Office of Management and Budget (OMB): *Capital Programming Guide*. July 1997.

    ➢ GAO: Executive Guide: *Leading Practices in Capital Decision-Making*. December 1998.

- Developed a survey instrument based on the best practice criteria collected.

Agency Survey Scope and Methodology: As part of our research, we decided to survey a sample of agencies to determine if any of the agencies were currently using any of the best practices. We focused our work on the state fiscal year ended June 30, 2004. We also included totals for fiscal years 2002 and 2003 for trend information purposes. Specifically, all agencies that report to ISIS were included in our analysis. However, we did not include in our analysis 119 executive branch agencies that do not report through ISIS and may have also purchased movable property, as summarized in Exhibit 8 on the following page.

Exhibit 8	
Summary of Executive Branch Agencies That Do Not Report Through ISIS	
For the Fiscal Year Ended June 30, 2004	
Category	**Number of Entities**
Higher education*	88 (74%)
Hospitals	10 (8%)
Retirement systems	8 (7%)
Other DOTD programs**	7 (6%)
Other***	6 (5%)
Total	**119 (100%)**

*Includes universities (24), community colleges (7), technical colleges and regional management centers (54), and related boards (3).

**Includes DOTD - Transportation and Development administration and operating, Office of Secretary, public improvements, aviation improvements, Sabine River Authority, capital outlay/non-state. However, the following DOTD programs are shown as ISIS agencies and are included in our scope DOTD administration; Public Works and Intermodal Transportation; and Engineering and Operations.

***Includes Louisiana Stadium and Exposition District, Office of Workers Compensation Second Injury Board, Prison Enterprises, Louisiana Gaming Corporation, Boards within Department of Commerce, Louisiana Housing Finance Agency.

We used the analysis of acquisitions through ISIS for fiscal years 2002, 2003, and 2004 to select a sample of agencies to identify their practices relating to planning for the acquisition and disposal of movable equipment. We selected agencies that made significant purchases during these fiscal years. We also based selection on the percentage of the agencies' budget spent on acquisitions for the fiscal year 2004 and the amount per employee spent on acquisitions during fiscal year 2004.

We determined to interview the nine agencies listed below. These agencies also represent nine different executive branch departments:

1. Department of Transportation and Development (DOTD) - Office of Engineering and Operations

2. Department of Public Safety (DPS) - Office of State Police

3. Department of Health and Hospitals (DHH) - Office of Public Health

4. Department of Wildlife and Fisheries (DWF) - Office of Secretary

5. Department of Social Services (DSS) - Office of Secretary

6. Department of Labor (DOL) - Office of Workforce Development

7. Louisiana School for Visually Impaired (LSVI)

8. Department of Culture, Recreation and Tourism (CRT) - Office of State Parks

9. Department of Veterans Affairs - Southwest Louisiana War Veterans Home

To survey the agencies, we also performed the following procedures:

- Developed a series of interview questions pertaining to the best practices information we obtained, as described previously.

- Interviewed each of the department's officials about the organization's planning process for acquisitions of movable property and relied on the departments/agencies to describe their processes to us. We did not verify the accuracy of their statements but, wherever possible, we obtained documentation evidencing the processes and results.

- Compared and analyzed agency processes against best practice criteria.

- Solicited agency responses to the best practices guide to determine what may impair them from implementing the suggested best practices.

- Reviewed state laws, regulations, and related guidelines relating to how state agencies should plan for procurement of movable property.

- Interviewed the OPB staff regarding how state agencies plan for procurement of movable property.

- Interviewed the OIT staff relating to how the state plans for the acquisition of information technology.

- Interviewed the commissioner of the Division of Administration and other DOA officials.

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Summary of ISIS Agencies Spending for Acquisitions, Fiscal Years 2002 Through 2004

Department	Agency	Actual Expenditures		
		2002	2003	2004
Department of Agriculture and Forestry	Agriculture and Forestry	$1,877,159	$1,452,169	$1,192,920
Department of Civil Service	Division of Administrative Law	106,663	66,364	7,866
	Ethics Administration	426	33,314	12,723
	Municipal Fire Police Civil Service	37,510	21,854	58,172
	State Civil Service	30,833	17,433	13,569
	State Police Commission	11,807	2,300	5,621
Department of Culture, Recreation and Tourism	Office of Cultural Development	37,719	191,837	61,569
	Office of Secretary	36,908	87,112	54,359
	Office of the State Library of Louisiana	933,634	929,158	800,758
	Office of State Museum	179,484	15,219	268,144
	Office of State Parks	1,252,187	405,275	1,508,256
	Office of Tourism	145,065	60,745	67,143
Department of Economic Development	Office of Business Development	23,214	9,369	23,350
	Office of Secretary	782,212	327,629	201,777
Department of Education	Special School District # 1	609,289	400,564	791,827
	State Activities	2,644,014	1,992,011	2,261,917
Department of Elections	Commissioner of Elections	77,541	184,578	225,372
Department of Environmental Quality	Office of Environmental Assessment	1,043,774	560,036	432,768
	Office of Environmental Compliance	423,149	953,325	319,408
	Office of Environmental Services	56,129	17,706	24,828
	Office of Management and Finance	1,270,019	1,282,843	1,340,275
	Office of Secretary	5,852	4,783	124,698

(Continued)

Department	Agency	Actual Expenditures		
		2002	2003	2004
Department of Health and Hospitals	Capital Area Human Services District	$100,461	$275,726	$54,742
	Central Louisiana State Hospital/Mental Health Area C**	511,759	294,193	402,276
	Central Regional Laundry	77,795	1,974	1,238
	Developmental Disabilities Council	12,809	520	5,090
	Eastern Louisiana Mental Health System/Mental Health Area A**	390,366	587,695	900,423
	Hammond Developmental Center	40,856	286,155	205,246
	Jackson Regional Laundry	6,636	143	
	Medical Vendor Administration	2,330,199	2,015,779	1,317,843
	Metropolitan Developmental Center	232,499	381,110	279,212
	New Orleans Home and Rehabilitation Center	50,049	16,917	23,303
	Northwest Developmental Center	303,378	99,136	102,900
	Office for Addictive Disorders	1,327,634	1,363,116	404,940
	Office for Citizens with Developmental Disabilities	186,120	236,248	128,621
	Office of Mental Health	33,823	214,029	202,392
	Office of Public Health	5,490,303	8,583,786	3,899,982
	Office of Secretary	689,700	651,095	1,141,651
	Pinecrest Developmental Center	1,268,204	584,898	466,375
	Ruston Developmental Center	11,567	73,008	88,592
	Southeast Louisiana Hospital/ Mental Health Area B**	468,948	375,148	259,751
	Southwest Developmental Center	388,650	230,591	289,678
	Villa Feliciana Medical Complex	124,872	112,184	120,850
Department of Higher Education	Board of Regents	81,906	354,962	277,040
	Board of Supervisors - University of Louisiana System	17,505	15,496	21,275
	Louisiana Universities Marine Consortium	130,184	78,114	157,750
Department of Insurance	Commissioner of Insurance	955,128	1,293,859	1,316,898
Department of Justice	Office of the Attorney General	728,986	788,706	2,190,324
Department of Labor	Office of Workers Compensation	553,847	383,175	274,154
	Office of Workforce Development	1,896,628	6,949,732	2,303,687

(Continued)

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Department	Agency	Actual Expenditures		
		2002	2003	2004
Department of Natural Resources	Office of Coastal Restoration and Management	$957,405	$704,111	$341,219
	Office of Conservation	254,810	52,441	282,916
	Office of Mineral Resources	145,356	158,047	22,045
	Office of Secretary	460,430	605,899	249,932
Department of Public Safety and Corrections, Corrections Services	Adult Probation and Parole	2,513,478	757,837	823,570
	Allen Correctional Center	250		3,235
	Avoyelles Correctional Center	144,897	151,616	17,327
	C.Paul Phelps Correctional Center	232,891	182,216	81,531
	Corrections - Administration	515,519	649,786	736,127
	David Wade Correctional Center	80,792	69,487	(7,237)
	Dixon Correctional Institute	147,697	206,681	56,619
	Elayn Hunt Correctional Center	259,752	789,920	169,087
	Louisiana Correctional Institution for Women	33,185	88,430	308,724
	Louisiana State Penitentiary	303,130	430,747	158,301
	Office of Youth Development	1,265,260	1,156,997	1,021,239
	Washington Correctional Institution	29,216	81,951	51,164
	Winn Correctional Center	0	0	2,678
	Work Training Facility - North	6,582	50,448	702
Department of Public Safety and Corrections, Public Safety Services	Donald J. Thibodaux Training Academy	954,159	191,249	234,662
	Liquefied Petroleum Gas Commission	34,939	19,635	59,185
	Louisiana Highway Safety Commission	14,948	45,581	6,168
	Office of Legal Affairs		7,313	3,252
	Office of Management and Finance	1,196,330	963,015	547,699
	Office of Motor Vehicles	1,524,459	363,151	390,855
	Office of State Fire Marshal	752,938	927,612	132,168
	Office of State Police	9,203,410	8,765,913	7,136,465
	Public Safety Services Cafeteria	10,736	5,000	14,827
Department of Revenue	Louisiana Tax Commission	45,566	19,509	17,230
	Office of Revenue	1,316,475	1,230,728	1,732,602
Department of Social Services	Office of Community Services	1,126,725	1,676,828	9,440
	Office of Family Support	68,922	295,433	10,623
	Office of the Secretary	4,637,140	5,771,605	1,634,975
	Rehabilitation Services	154,473	104,287	25,488
Department of State	Secretary of State	373,617	398,762	645,500

(Continued)

Department	Agency	Actual Expenditures		
		2002	2003	2004
Department of Transportation and Development	Administration	$222,727	$394,126	$75,121
	Office of Engineering and Operations	15,794,909	17,068,537	11,146,374
	Office of Public Works and Intermodal Transportation	1,320,284	37,158	29,725
	Sabine River Authority	102,472	21,189	23,423
Department of Treasury	State Treasurer Operating	41,516	129,288	50,773
Department of Wildlife and Fisheries	Office of Fisheries	890,085	984,907	702,914
	Office of Management and Finance	78,850	87,831	154,071
	Office of Secretary	2,856,135	1,541,258	2,576,186
	Office of Wildlife	2,011,158	1,296,282	1,535,109
Education - Special Schools and Commissions	Board of Elementary and Secondary Education	8,029	7,025	7,265
	Council for the Development of French in Louisiana			4,393
	Louisiana Educational Television Authority	229,808	209,499	40,047
	Louisiana School for the Deaf	397,457	304,154	172,374
	Louisiana School for Math, Science and the Arts	147,655	27,760	18,968
	Louisiana School for Visually Impaired	265,111	569,512	366,269
	Louisiana Special Education Center	347,788	161,414	222,411
	Louisiana Systemic Initiatives Program	20,687	55,380	23,443
	New Orleans Center for Creative Arts	489,181	100,654	150,765
	Office of Student Financial Assistance	921,801	547,555	231,321
Executive Department	Board of Tax Appeals	10,746	876	916
	Department of Military Affairs	814,553	195,664	2,487
	Department of Veterans Affairs	106,091	50,205	50,195
	Executive Office	188,849	61,192	141,736
	Louisiana Commission on Law Enforcement and Administration of Criminal Justice	61,538	102,647	109,332
	Louisiana Manufactured Housing Commission	720	5,935	3,705
	Louisiana State Board of Cosmetology	13,970	45,963	8,899
	Louisiana State Racing Commission	81,370	32,987	73,150

(Continued)

Department	Agency	Actual Expenditures		
		2002	2003	2004
Executive Department	Louisiana War Veterans Home	$71,987	$20,870	$12,941
	Mental Health Advocacy Service	60,288	145	33,913
	Northeast Louisiana War Veterans Home	26,188	3,618	78,139
	Office of Elderly Affairs	19,914	48,504	109,842
	Office of Financial Institutions	120,643	240,644	134,091
	Office of Lifelong Learning/ Workforce Commission Office**	18,978	6,549	369,151
	Office of Women's Services/ Office on Women's Policy**	41,365	2,700	3,881
	Patients Compensation Fund Oversight Board	35,482	74,503	96,667
	Southwest Louisiana War Veterans Home			216,984
Executive Department - Division of Administration	Administrative Services	46,630	135,795	55,705
	Administrative Support		10,270	1,224
	Division of Administration	1,544,959	1,619,523	4,254,023
	Federal Property Assistance	19,343	1,500	
	Louisiana Property Assistance Agency	8,211	23,933	92,771
	Office of Aircraft Services/Flight Maintenance Operations**	1,676	6,355	701
	Office of Group Benefits	2,622,599	2,929,165	265,278
	Office of Risk Management	87,033	90,337	125,580
	Office of Telecommunications Management	45,314	65,193	101,731
Lieutenant Governor	Lieutenant Governor	11,313	12,287	56,864
Public Service Commission	Public Service Commission	332,223	271,369	232,274
Total*		$91,298,525	$91,787,614	$67,717,007

*This amount includes 126 agencies for fiscal year 2002; 127 agencies for fiscal year 2003; and 130 agencies for fiscal year 2004 reporting to ISIS.
**These agencies' names changed on ISIS during these periods.
Source: Prepared by legislative auditor's staff using financial data from DOA's ISIS.

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