



# Internal Service Funds, Accountable Budget Review

Infrastructure and General Government Appropriations Subcommittee

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This report is intended to assist the members of the Infrastructure and General Government Appropriations Subcommittee during the Accountable Budget Process. [IR 3-2-501](#) requires each appropriations subcommittee to annually scrutinize 20 percent of the budget that falls within the subcommittee’s preview, ensuring that once every five years, each line item is the subject to an accountable budget review. The Legislature is to create a budget for the reviewed line item or program by starting from zero and determining whether or to what extent to recommend funding be included in a budget for FY 2026.

During the 2023 interim, we reported on the [Department of Government Operations \(DGO\) Non-ISF entities](#), and the focus of this report is on DGO’s Internal Service Funds (ISF):

- [ISF - DTS Enterprise Technology](#)
- [ISF - Facilities Management](#)
- [ISF - Fleet Operations](#)
- [ISF - Human Resource Management](#)
- [ISF - Purchasing and General Services](#)
- [ISF - Risk Management](#)
- [ISF - Finance](#)

The following table shows the funding for each ISF and its programs over time.

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Appr.	2025 Appr.
<b>ISF - DTS Enterprise Technology</b>	<b>\$119,224,600</b>	<b>\$126,168,500</b>	<b>\$128,147,600</b>	<b>\$139,857,900</b>	<b>\$148,755,800</b>	<b>\$166,349,700</b>	<b>\$169,902,000</b>
ISF - Enterprise Technology Division	\$119,224,600	\$126,168,500	\$128,147,600	\$139,857,900	\$148,755,800	\$166,349,700	\$169,902,000
<b>ISF - Facilities Management</b>	<b>\$34,670,500</b>	<b>\$35,566,400</b>	<b>\$36,236,000</b>	<b>\$38,409,600</b>	<b>\$43,740,800</b>	<b>\$39,632,700</b>	<b>\$41,499,000</b>
ISF - Facilities Management	\$34,670,500	\$35,566,400	\$36,236,000	\$38,409,600	\$43,740,800	\$39,632,700	\$41,499,000
<b>ISF - Fleet Operations</b>	<b>\$70,170,100</b>	<b>\$62,740,600</b>	<b>\$64,713,000</b>	<b>\$87,574,400</b>	<b>\$89,926,000</b>	<b>\$85,714,100</b>	<b>\$85,660,700</b>
ISF - Fuel Network	\$33,967,400	\$26,278,200	\$37,442,700	\$61,663,000	\$63,438,900	\$59,880,200	\$60,391,700
ISF - Motor Pool	\$34,893,000	\$35,288,000	\$26,582,400	\$25,413,100	\$26,044,300	\$25,351,800	\$24,669,400
ISF - Travel Office	\$559,500	\$526,800	\$115,500	(\$1,600)	\$0	\$0	\$110,300
Transactions Group	\$750,200	\$647,600	\$572,400	\$499,900	\$442,800	\$482,100	\$489,300
<b>ISF - Human Resource Management</b>	<b>\$14,970,700</b>	<b>\$15,186,300</b>	<b>\$13,552,900</b>	<b>\$15,253,800</b>	<b>\$15,739,000</b>	<b>\$15,603,700</b>	<b>\$15,599,400</b>
Administration		\$2,288,300	\$964,600	\$2,346,000	\$258,600	\$1,781,800	\$1,777,500
Information Technology		\$976,900	\$723,000	\$917,100		\$800,900	\$800,900
ISF - Core HR Services	\$241,500	\$251,900	\$251,200	\$40,600	\$1,588,600	\$248,800	\$248,800
ISF - Field Services	\$14,020,400	\$8,837,000	\$8,637,100	\$8,547,100	\$13,009,300	\$9,743,800	\$9,743,800
ISF - Payroll Field Services	\$708,800	\$646,700	\$926,900	\$750,600	\$882,500	\$983,800	\$983,800
Policy		\$2,185,500	\$2,050,100	\$2,652,400	\$0	\$2,044,600	\$2,044,600
<b>ISF - Purchasing and General Services</b>	<b>\$19,337,600</b>	<b>\$19,130,500</b>	<b>\$17,397,600</b>	<b>\$17,326,500</b>	<b>\$20,367,200</b>	<b>\$20,664,300</b>	<b>\$20,664,300</b>
ISF - Central Mailing	\$12,087,200	\$12,055,800	\$11,180,500	\$10,849,500	\$13,005,000	\$12,839,300	\$12,839,300
ISF - Cooperative Contracting	\$3,798,700	\$3,827,900	\$3,513,100	\$3,451,400	\$4,676,000	\$5,082,400	\$5,082,400
ISF - Federal Surplus Property	\$88,200	\$23,300	\$29,900	\$24,200	\$41,700	\$65,300	\$65,300
ISF - Print Services	\$2,776,800	\$2,458,400	\$1,889,300	\$2,133,000	\$1,852,900	\$2,007,500	\$2,007,500
ISF - State Surplus Property	\$586,700	\$765,100	\$784,800	\$868,400	\$791,600	\$669,800	\$669,800
<b>ISF - Risk Management</b>	<b>\$55,366,300</b>	<b>\$49,615,700</b>	<b>\$61,246,600</b>	<b>\$61,181,200</b>	<b>\$101,478,100</b>	<b>\$122,004,800</b>	<b>\$154,311,000</b>
ISF - Risk Management Administration	\$504,700	\$130,000	\$937,400	\$600,100	\$1,584,800	\$8,553,200	\$24,804,200
ISF - Workers' Compensation	\$11,364,500	\$8,148,300	\$5,836,700	\$9,182,700	\$8,266,800	\$5,914,400	\$5,914,400
Risk Management - Auto	\$2,232,100	\$1,884,400	\$2,643,800	\$3,007,400	\$2,709,100	\$3,816,000	\$3,816,000
Risk Management - Liability	\$24,221,800	\$23,279,600	\$23,725,300	\$27,814,200	\$47,293,300	\$33,993,000	\$33,993,000
Risk Management - Property	\$17,043,200	\$16,173,400	\$28,103,400	\$20,576,800	\$41,624,100	\$69,728,200	\$85,783,400
<b>ISF - Finance</b>	<b>\$1,701,900</b>	<b>\$651,600</b>	<b>\$676,500</b>	<b>\$658,300</b>	<b>\$1,090,100</b>	<b>\$1,470,000</b>	<b>\$1,413,000</b>
ISF - Consolidated Budget and Accounting	\$750,200						
ISF - Purchasing Card	\$951,700	\$651,600	\$676,500	\$658,300	\$1,090,100	\$1,470,000	\$1,413,000
<b>Grand Total</b>	<b>\$315,441,700</b>	<b>\$309,059,600</b>	<b>\$321,970,200</b>	<b>\$360,261,700</b>	<b>\$421,097,000</b>	<b>\$451,439,300</b>	<b>\$489,049,400</b>

## Summary of Recommendations

We recommend the Legislature:

1. update all statutory references from the former Department of Administrative Services to the Department of Government Operations.
2. review the final figures of Retained Earnings for each ISF, once available, and eliminate the surplus amounts during the 2025 General Session.
3. add a provision to the fee bill permitting the ISFs to charge up to the authorized rates, with the flexibility to charge less when feasible.
4. make the necessary statutory changes to allow the ISFs to receive the compensation increases at the same time as state agencies.
5. establish several appropriation units in the ISF – DTS Enterprise Technology line item, as proposed by the division, for increased transparency and accountability.
6. establish several appropriation units in the ISF - Facilities Management line item for increased the transparency and accountability.
7. combine the two line items of the Division of Purchasing and General Services and replace the \$569,100 ongoing appropriation from the General Fund with Dedicated Credits, which would come from rates charged to vendors, not state agencies.
8. review the current statute and determine if all of the current reporting requirements for the ISF staffing levels are still necessary.

We recommend the Department of Government Operations ensure:

1. each ISF provide the required number of full-time, permanent positions and the number of full-time equivalent contract employees, as required by statute.
2. Division of Technology Services (DTS) implements changes to its billing process to allow the customer agencies sufficient time to review and approve ISF charges before paying the bills, and report the progress during the interim of 2025.

DGO's response to these recommendations is included at the end of this report.

## Overview

The Legislature created the [Department of Government Operations](#) (DGO) was created through the passage of [S.B. 181, "Department of Government Operations"](#) during the 2021 General Session. The legislation combined the Department of Administrative Services, Department of Human Resource Management, and the Department of Technology Services into DGO. [UCA 63A-1-109.5](#) authorizes DGO to operate statewide Internal Service Funds (ISF).

In our statute review, we noticed there are still code references to the former Department of Administrative Services instead of DGO (see below).

&lt;&lt; Previous Section (63A-1-109)

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Next Section (63A-1-111) &gt;&gt;

**Index Utah Code****Title 63A Utah Administrative Services Code****Chapter 1 Department of Administrative Services****Part 1 General Provisions****Section Department authority to operate a division or office as an internal service fund agency.  
109.5 (Effective 5/10/2016)**

**Recommendation:** We recommend that the Legislature update all statutory references from the former Department of Administrative Services to the Department of Government Operations.

### **Rate Committee**

Though part of state government, ISFs differ from regular state agencies. Their purpose is not to serve the general public but to provide services to other government entities. Almost all ISFs funding comes from rates and fees they charge to their customer agencies. The ISFs are overseen by a seven-member rate committee ([UCA 63A-1-114](#)), which annually reviews and approves the ISFs rates before they are submitted to the Governor's Office of Planning and Budget for review and the Legislature for final approval.

### **Legislative Approval**

In order to control the size, mission, and rates/fees charged by ISFs, the Legislature has imposed statutory controls. [UCA 63J-1-410](#) states that an ISF cannot bill another agency for its services unless the Legislature has:

- approved the budget requests for each ISF;
- approved in an appropriation act the rates and fees charged for services;
- approved the number of full-time, permanent positions for each fund;
- reviewed the number of contract employees for each fund;
- appropriated estimated revenue based on the approved rates and fees; and
- approved the acquisition of capital assets.

We noticed that ISFs provide their full-time equivalent (FTE) counts, but in some cases, these may not be the "full-time, permanent positions." Also, the Legislature hasn't been reviewing the number of contract employees provided by ISFs.

**Recommendation:** We recommend that each ISF provide the required number of full-time, permanent positions and the number of full-time equivalent contract employees, as required by statute. We also recommend the Legislature review the current statute and determine if all the current reporting requirements for the ISF staffing levels are still necessary.

### **Working Capital**

The ISFs Working Capital (current assets minus current liabilities and interfund loans) can come from:

1. Operating revenues,
2. Long-term debt, and
3. Appropriations.

Due to the nature of the ISFs, statute allows them to have negative working capital. To eliminate the negative working capital, statute allows an ISF to take on long-term debt (up to 90% of its capital assets' net book value) from the General Fund or Special Revenue Funds to acquire capital assets. The ISF is to pay off the debt by making regular payments over the useful life of the asset.

### Retained Earnings

Unlike traditional state agencies, the statute does not require expenses to match revenues for ISFs. Instead, ISFs are allowed Retained Earnings from profits or losses incurred. However, federal regulations limit the amount of Retained Earnings to between 30 and 60 days of operational costs, depending on the service. Any amount exceeding this limit is considered excessive and may require the ISF to reimburse the federal government for its share of the funds. Likewise, the Legislature monitors retained earnings balances and often appropriates excesses to the General Fund or reduces rates to state agencies which in turn reduces future Retained Earnings.

The Office of the State Auditor has released findings in two reports regarding the excessive Retained Earnings of DGO's ISFs for [FY 2021](#) and [FY 2023](#). Although the final figures for FY 2024 are still pending as of October 8, 2024, preliminary indications suggest that some ISFs may still have excessive balances.

**Recommendation:** We recommend the Legislature review the final figures of Retained Earnings for each ISF, once available, and eliminate the surplus amounts during the 2025 General Session.

The following table provides a snapshot of each ISF's size and financial position at the end of FY 2023 (FY 2024 numbers are not yet finalized). The [Appendix](#) provides the historic data from FY 2019 - FY 2023.

	FTE	Revenue	Expense	Profit/Loss	Retained Earnings	Transfer In/Out	Contrib. Capital	Working Capital	Assets
1 DTS Enterprise Technology	719	149,099,338	148,885,451	213,887	19,536,848	0	10,118,566	9,817,830	6,212,582
2 Facilities Mgmt (DFCM)	145	38,591,181	43,713,564	(5,122,383)	496,878	0	20,277	248,216	105,558
3 Human Res. Mgmt (DHRM)	123	17,124,400	16,224,281	900,119	1,537,736	0	412,737	1,891,985	58,488
4 Fleet - Administration	3	0	0	0	6,359	0	35,169	41,529	0
5 Fleet - Fuel Network	7	66,396,474	63,496,475	2,899,999	(510,037)	(13,000)	7,370,911	1,819,954	5,040,919
6 Fleet - Motor Pool	14	23,615,641	25,738,656	(2,123,015)	2,766,768	1,006,870	48,569,270	(24,668,776)	76,681,448
7 Fleet - Transaction Group	5	410,695	442,850	(32,155)	23,480	0	0	23,480	0
8 Gen. Services - Admin.	1	0	2,795	(2,795)	(2,794)	0	41,619	38,825	0
9 Gen. Services - Mail Services	35	13,319,148	13,004,984	314,164	1,606,490	0	951,509	2,517,526	40,474
10 Gen. Services -Printing	1	1,584,992	1,858,473	(273,481)	(214,242)	0	1,955,453	534,536	1,206,673
11 Gen. Services - Coop. Contr.	8	6,103,058	4,675,987	1,427,071	9,728,595	(500,000)	0	9,537,843	527,403
12 Gen. Services - State Surplus	5	600,093	791,635	(191,542)	238,748	0	17,092	(224,853)	480,693
13 Gen. Services - Federal Surplus	0	52,555	41,773	10,782	185,399	0	84,661	270,062	0
14 Risk - Administration	30	1,232,966	1,584,818	(351,852)	946,775	0	0	470,500	476,275
15 Risk - Auto		2,729,840	4,597,546	(1,867,706)	(2,192,590)	0	100,000	(2,092,591)	0
16 Risk - Liability		31,172,452	33,212,182	(2,039,730)	14,763,962	15,000,000	10,030,340	(54,245,635)	0
17 Risk - Property		34,595,033	47,903,881	(13,308,848)	(8,016,630)	2,000,000	6,200,000	(1,099,630)	0
18 Risk - SOU Captive Ins. LLC		1,502,395	776,144	726,251	223,856	0	502,575	(16,890,523)	0
19 Risk - Workers' Comp	2	8,476,309	6,266,839	2,209,470	3,171,631	(2,000,000)	0	3,171,631	0
20 Finance - Purchasing Card	2	1,349,767	816,985	532,782	986,251	0	0	713,199	273,052

### Authority to Charge Lower Rates

Some ISFs have indicated that they occasionally charge rates and fees lower than those specified in the fee bill, but they currently lack explicit authorization to do so.

**Recommendation:** We recommend the Legislature add a provision to the fee bill permitting the ISFs to charge up to the authorized rates, with the flexibility to charge less when feasible.

## **ISF Compensation Increases**

Most ISFs currently do not receive new funding for compensation increases until a year later. This delay occurs because compensation decisions are made by the Legislature typically at the end of the general session. However, ISFs are required to submit their budget requests, including those for compensation increases and ISF rates, several months in advance.

The statute allows ISFs to either estimate the compensation increase in their rates for the new budget year or forgo new funding for compensation increases in the upcoming year. Both options are less than ideal: the first involves guessing what the Legislature will decide, and the second requires using reserves (Retained Earnings) for 12 months.

**Recommendation:** We recommend the Legislature make the necessary statutory changes to allow the ISFs to receive the compensation increases at the same time as state agencies. Below is one option to consider:

1. Authorize the Rate Committee to meet between the end of the legislative general session and the start of the next fiscal year. The sole purpose of this meeting would be to consider ISF rate increases based on the compensation increases approved by the Legislature. These new rates would take effect on July 1 and would be subject to ratification (or modification) by the Legislature during the next general session.
2. Appropriate the state-portion of the funding for the compensation increases for the ISFs to a holding account, such as Finance Mandated. This funding would then be appropriated from that account to the proper places during the next general session (in a current-year supplemental bill) as the Legislature would ratify the updated ISF rates from the Rate Committee.

## **ISF - DTS Enterprise Technology**

### **Overview**

The ISF - DTS Enterprise Technology is managed by the Chief Information Officer (CIO), who is also the Director of the Division of Technology Services. This ISF provides IT services to government entities including: network, desktop, telecommunications, hosting, database, mainframe computing, applications, print, and other miscellaneous technology services. Their mission is to provide innovative, secure, and cost-effective technology solutions that are convenient and empower our partner agencies to better serve the residents of Utah.

The ISF sets rates based on the cost of services it provides. Each year the ISF Rate Committee, which is composed of customer agencies, reviews and approves these rates.

[UCA 63A-16-104](#) outlines the duties of DTS, and [UCA 63A-16-301](#) mandates that the CIO manage the delivery of efficient and cost-effective information technology and telecommunication services “at the lowest practical cost.” It also stipulates that each fee “should be based upon a zero based, full cost accounting of activities necessary to provide each service for which a fee is established; and for each service multiplied by the projected consumption of the service recovers no more or less than the full cost of each service.”

### **DTS Billing**

In our ISF Customer Satisfaction [Survey of 2012](#) report to the Executive Appropriations Committee, we recommended the customer agencies be allowed reasonable time to review their charges and the ability

to approve the payment of their ISF bills. It appears this recommendation has not been implemented by DTS, and based on comments from this year's survey, this continues to be an issue for the customers.

**Recommendation:** We recommend that DGO ensure DTS implements changes to its billing process to allow the customer agencies sufficient time to review and approve ISF charges before paying the bills, and report the progress during the interim of 2025.

## **Programs and FTEs**

The ISF - DTS Enterprise Technology line item has a budget of \$170 million and is authorized for 784 FTE in FY 2025 but it currently has only one appropriation unit (program).

**Recommendation:** We recommend the Legislature establish the following appropriation units, as proposed by the division, which mirror their organizational structure:

- Desktop Services
- Hosting Services
- Application Services
- Print Services
- Communication Services
- Network & Security Services
- Administration & Overhead

## **Funding and Expenditures**

For the funding and expenditure details for this line item, please see the Financials page of our [Compendium of Budget Information \(COBI\)](#).

## **ISF – Facilities Management**

### **Overview**

The ISF – Facilities Management is an Internal Service Fund within the Division of Facilities Construction and Management (DFCM) and its mission is to provide professional services to assist State entities in meeting their facility needs for the benefit of the public.

This ISF provides building maintenance, management, and preventive maintenance services to its state agency subscribers. These services include: janitorial, security, grounds maintenance, and heating/air conditioning equipment repair. The ISF ensures that each building's specific maintenance concerns are resolved in a timely and cost-effective manner and coordinates small building construction projects that may be required by various state agencies on a cost-reimbursement basis. Additional information about the Facilities Management program can be found at: <https://dfcm.utah.gov/facilities-management/>.

### **Programs and FTEs**

The ISF – Facilities Management ISF has a budget of \$41.5 million, 199 authorized FTE, 89 vehicles for FY 2025, and it has only one appropriation unit in the line item.

**Recommendation:** We recommend the Legislature establish several appropriation units in the ISF - Facilities Management line item for increased the transparency and accountability.

## ***Funding and Expenditures***

For the funding and expenditure details for this line item, please see the Financials page of our [Compendium of Budget Information \(COBI\)](#).

## ***Rates/Fees***

The list of rates and fees authorized by the Legislature during the 2024 General Session are included in [H.B. 8 State Agency Fees and Internal Service Fund Rate Authorization and Appropriations](#).

## **ISF – Fleet Operations**

The [Division of Fleet Operations \(UCA 63A-9-201\)](#) manages the following ISFs:

- [ISF - Fuel Network](#): managing the state's fuel purchase contracts and the state's fuel infrastructure, which includes the statewide underground storage tank program and consolidated electronic refueling stations;
- [ISF - Motor Pool](#): managing the statewide fleet, the central motor pool, safety objectives/compliance, and the statewide fleet management information system, as well as the vehicle accident management program and complies with the federal Energy Policy Act.
- [ISF - Travel Office](#): arranging travel for state employees and employees of political subdivisions who choose to participate, including airline tickets, hotels, rental vehicles, buses, trains, and conference sites. The office contracts with a private-sector travel agency which is located on-site.
- [Transactions Group](#): providing accounting services, following internal control best practices and state requirements to reduce fraud and abuse.

## ***Funding and Expenditures***

For the funding and expenditure details for the Division of Fleet Operations and its programs, please see the Financials page of our [Compendium of Budget Information \(COBI\)](#).

## ***Rates/Fees***

The list of rates and fees authorized by the Legislature during the 2024 General Session are included in [H.B. 8 State Agency Fees and Internal Service Fund Rate Authorization and Appropriations](#).

## **ISF - Human Resource Management**

### ***Overview***

This line item is managed by the [Division of Human Resource Management \(DHRM\)](#) created in [UCA 63A-17-105](#), and the ISF has the following appropriation units:

- [Administration](#): oversees the goals, plans, and implementation of policy for the Division of Human Resource Management as well as statewide issues.
- [Information Technology](#): provides the automated systems that comprise the enterprise Human Resource Management Information system. This system provides support to all agencies relative to employee recruitment, employment, pay, and all other employee related functions.
- [ISF - Core HR Services](#): provides access to the employee gateway and the payroll time entry systems.
- [ISF - Field Services](#): delivers frontline services in the major functional areas including: classification, recruitment, training and development, and management of grievances.

- [ISF - Payroll Field Services](#): includes the Employee Resource Information Center (ERIC) processes payroll for state agencies.
- [Policy](#): provides oversight and development of the following functions: recruiting; selection; employee development; employee relations, fair employment practices, compensation and benefits, classification, diversity and liability prevention.

## ***Funding and Expenditures***

For the funding and expenditure details for the ISF – Human Resource Management and its programs, please see the Financials page of our [Compendium of Budget Information \(COBI\)](#).

## ***Rates/Fees***

The list of rates and fees authorized by the Legislature during the 2024 General Session are included in [H.B. 8 State Agency Fees and Internal Service Fund Rate Authorization and Appropriations](#).

## **ISF – Purchasing and General Services**

### ***Overview***

The [Division of Purchasing and General Services](#) has two line items: the Purchasing and the ISF – Purchasing and General Services. The Purchasing line item, which constitutes roughly 4% of the total division's budget, is the only program in the division that receives General Funds and it was [included in our 2023 report](#). The other programs in the division are ISFs, included in the ISF Purchasing and General Services line item, and are funded only with Dedicated Credits (rate revenues). Some division staff already works in both line items.

***Recommendation:*** We recommend the Legislature combine the two line items of the Division of Purchasing and General Services and replace the \$569,100 ongoing appropriation from the General Fund with Dedicated Credits, which would come from rates charged to vendors, not state agencies.

The ISF – Purchasing and General Services line item includes the following appropriation units:

- [ISF - Central Mailing](#): provides mail services for agencies throughout the state.
- [ISF - Cooperative Contracting](#): manages the statewide "Best Value" Cooperative Contracts that are used by state, education, and local government agencies.
- [ISF - Federal Surplus Property](#): acquires and donates federal property to public and non-profit agencies.
- [ISF - Print Services](#): manages essential document production services for state government.
- [ISF - State Surplus Property](#): responsible for the sale/disposal of state surplus property, including vehicles and equipment.

## ***Funding and Expenditures***

For the funding and expenditure details for the ISF – Purchasing and General Services and its programs, please see the Financials page of our [Compendium of Budget Information \(COBI\)](#).

## ***Rates/Fees***

The list of rates and fees authorized by the Legislature during the 2024 General Session are included in [H.B. 8 State Agency Fees and Internal Service Fund Rate Authorization and Appropriations](#).



## ISF - Risk Management

### Overview

The [Division of Risk Management](#) was organized in 1980 to implement a self-insurance program for the state. The division provides liability, property, and auto physical damage coverage to all state agencies, school districts, state-owned colleges and universities, and many charter schools. The division has the following appropriation units:

- [ISF - Risk Management Administration](#): the State Risk Manager makes final determinations on claims management, defense, and settlements.
- [ISF - Workers' Compensation](#): passes the workers' compensation expenses paid by the state and its employees to the Workers' Compensation Fund of Utah, which provides coverage to employees on the state's payroll system.
- [ISF - Risk Management Auto](#): provides auto coverage to all state agencies, school districts, state-owned colleges and universities, and many charter schools.
- [ISF - Risk Management Liability](#): provides liability coverage to all state agencies, school districts, state-owned colleges and universities, and many charter schools.
- [ISF - Risk Management Property](#): provides property coverage to all state agencies and school districts, many charter schools, and all state-owned colleges and universities.

### Funding and Expenditures

For the funding and expenditure details for the ISF – Risk Management and its programs, please see the Financials page of our [Compendium of Budget Information \(COBI\)](#).

### Rates/Fees

The list of rates and fees authorized by the Legislature during the 2024 General Session are included in [H.B. 8 State Agency Fees and Internal Service Fund Rate Authorization and Appropriations](#).

## ISF – Finance

### Overview

The Division of Finance ISF operates the [Purchasing Card \(P-Card\)](#) program. This program is designed to support state agencies with centralized financial and administrative support.

### Funding and Expenditures

For the funding and expenditure details for the ISF – Finance, please see the Financials page of our [Compendium of Budget Information \(COBI\)](#).

### Rates/Fees

The list of rates and fees authorized by the Legislature during the 2024 General Session are included in [H.B. 8 State Agency Fees and Internal Service Fund Rate Authorization and Appropriations](#).

Appendix, ISF Historic Data

	FTE	Revenue	Expense	Profit/Loss	Retained Earnings	Transfer In/Out	Contrib. Capital	Working Capital	Assets
<b>1 DTS Enterprise Technology</b>	<b>708</b>	<b>134,032,025</b>	<b>132,470,145</b>	<b>1,561,880</b>	<b>18,012,610</b>	<b>240,000</b>	<b>10,118,566</b>	<b>12,513,811</b>	<b>7,184,267</b>
2 2019	692	121,035,770	119,227,907	1,807,863	13,535,310	1,200,000	10,118,566	9,264,953	8,890,956
3 2020	706	129,475,149	126,168,352	3,306,797	16,842,108	0	10,118,566	11,218,557	7,425,712
4 2021	703	132,193,702	128,209,987	3,983,715	20,825,823	0	10,118,566	19,252,583	5,945,645
5 2022	718	138,356,166	139,859,027	(1,502,861)	19,322,962	0	10,118,566	13,015,130	7,446,440
6 2023	719	149,099,338	148,885,451	213,887	19,536,848	0	10,118,566	9,817,830	6,212,582
<b>7 Facilities Mgmt (DFCM)</b>	<b>142</b>	<b>37,263,222</b>	<b>37,684,538</b>	<b>(421,316)</b>	<b>3,897,625</b>	<b>(53,333)</b>	<b>20,277</b>	<b>3,614,533</b>	<b>97,649</b>
8 2019	142	34,909,292	34,670,455	238,837	3,108,960	0	20,276	3,006,373	122,864
9 2020	142	37,065,137	35,566,530	1,498,607	4,607,568	0	20,277	4,251,755	124,701
10 2021	142	37,377,024	36,329,131	1,047,893	5,655,460	0	20,277	5,423,071	83,083
11 2022	138	38,373,477	38,143,011	230,466	5,619,261	(266,665)	20,277	5,143,252	52,037
12 2023	145	38,591,181	43,713,564	(5,122,383)	496,878	0	20,277	248,216	105,558
<b>13 Human Res. Mgmt (DHRM)</b>	<b>122</b>	<b>15,333,833</b>	<b>15,557,706</b>	<b>(223,873)</b>	<b>1,267,958</b>	<b>(59,080)</b>	<b>527,137</b>	<b>766,357</b>	<b>1,028,739</b>
14 2019	123	14,201,784	14,912,335	(710,551)	1,897,552	(58,400)	698,737	597,033	1,999,256
15 2020	120	15,026,959	15,677,426	(650,467)	1,247,085	0	698,737	432,426	1,513,396
16 2021	121	15,008,397	15,235,682	(227,285)	1,019,800	(286,000)	412,737	403,665	1,028,872
17 2022	123	15,307,623	15,738,806	(431,183)	637,617	49,000	412,737	506,674	543,681
18 2023	123	17,124,400	16,224,281	900,119	1,537,736	0	412,737	1,891,985	58,488
<b>19 Fleet - Administration</b>	<b>3</b>	<b>0</b>	<b>543</b>	<b>(543)</b>	<b>7,851</b>	<b>0</b>	<b>35,169</b>	<b>43,020</b>	<b>0</b>
20 2019	3	0	0	0	9,075	0	35,169	44,245	0
21 2020	3	0	72	(72)	9,004	0	35,169	44,173	0
22 2021	3	0	549	(549)	8,455	0	35,169	43,624	0
23 2022	2	0	2,095	(2,095)	6,360	0	35,169	41,529	0
24 2023	3	0	0	0	6,359	0	35,169	41,529	0
<b>25 Fleet - Fuel Network</b>	<b>8</b>	<b>44,467,883</b>	<b>44,615,834</b>	<b>(147,951)</b>	<b>(2,552,497)</b>	<b>131,600</b>	<b>6,064,445</b>	<b>(1,221,401)</b>	<b>4,594,966</b>
26 2019	8	31,407,817	33,967,313	(2,559,496)	(2,337,780)	0	2,637,055	(2,243,947)	2,543,223
27 2020	8	25,340,753	26,316,849	(976,096)	(3,313,877)	0	5,838,452	(2,778,508)	5,303,084
28 2021	8	37,552,327	37,442,205	110,122	(3,203,755)	650,000	7,104,898	(2,000,060)	5,209,287
29 2022	8	61,642,045	61,856,327	(214,282)	(3,397,037)	21,000	7,370,911	(904,442)	4,878,317
30 2023	7	66,396,474	63,496,475	2,899,999	(510,037)	(13,000)	7,370,911	1,819,954	5,040,919
<b>31 Fleet - Motor Pool</b>	<b>15</b>	<b>26,939,293</b>	<b>29,622,690</b>	<b>(2,683,397)</b>	<b>6,384,696</b>	<b>1,787,792</b>	<b>44,741,230</b>	<b>(16,305,593)</b>	<b>67,955,050</b>
32 2019	15	32,095,658	34,893,082	(2,797,424)	10,731,938	1,785,760	41,271,551	(17,746,131)	69,749,620
33 2020	15	30,106,089	35,480,783	(5,374,694)	7,416,343	2,588,245	41,974,359	(15,269,756)	64,660,458
34 2021	15	25,485,336	26,587,837	(1,102,501)	6,272,354	1,963,188	45,104,208	(10,754,522)	62,131,084
35 2022	14	23,393,742	25,413,092	(2,019,350)	4,736,077	1,594,895	46,786,764	(13,088,778)	66,552,642
36 2023	14	23,615,641	25,738,656	(2,123,015)	2,766,768	1,006,870	48,569,270	(24,668,776)	76,681,448
<b>37 Fleet - Transaction Group</b>	<b>8</b>	<b>591,813</b>	<b>587,273</b>	<b>4,539</b>	<b>31,809</b>	<b>0</b>	<b>0</b>	<b>31,755</b>	<b>0</b>
38 2019	10	750,237	750,237	0	785	0	0	785	0
39 2020	9	650,016	647,646	2,370	3,155	0	0	3,155	0
40 2021	8	668,588	595,755	72,833	75,988	0	0	75,988	0
41 2022	6	479,527	499,879	(20,352)	55,636	0	0	55,366	0
42 2023	5	410,695	442,850	(32,155)	23,480	0	0	23,480	0
<b>43 Gen. Services - Admin.</b>	<b>1</b>	<b>0</b>	<b>559</b>	<b>(559)</b>	<b>(558)</b>	<b>0</b>	<b>41,620</b>	<b>41,062</b>	<b>0</b>
44 2019	0	0	0	0	1	0	41,619	41,621	0
45 2020	1	0	0	0	1	0	41,620	41,621	0
46 2021	1	0	0	0	1	0	41,620	41,621	0
47 2022	1	0	0	0	1	0	41,620	41,621	0
48 2023	1	0	2,795	(2,795)	(2,794)	0	41,619	38,825	0
<b>49 Gen. Services - Mail Services</b>	<b>38</b>	<b>12,217,243</b>	<b>11,838,126</b>	<b>379,118</b>	<b>874,307</b>	<b>0</b>	<b>951,509</b>	<b>1,651,383</b>	<b>174,433</b>
50 2019	42	12,611,023	12,087,208	523,815	234,717	0	951,508	879,359	306,867
51 2020	41	12,322,601	12,062,624	259,977	494,694	0	951,509	1,209,133	237,070
52 2021	36	11,429,094	11,180,480	248,614	743,308	0	951,509	1,512,732	182,085
53 2022	36	11,404,350	10,855,332	549,018	1,292,326	0	951,509	2,138,164	105,671
54 2023	35	13,319,148	13,004,984	314,164	1,606,490	0	951,509	2,517,526	40,474

# Internal Service Funds Accountable Budget Review

	FTE	Revenue	Expense	Profit/Loss	Retained Earnings	Transfer In/Out	Contrib. Capital	Working Capital	Assets
<b>55 Gen. Services -Printing</b>	<b>2</b>	<b>2,146,345</b>	<b>2,224,709</b>	<b>(78,364)</b>	<b>39,720</b>	<b>0</b>	<b>1,955,453</b>	<b>565,653</b>	<b>1,433,053</b>
56 2019	2	2,756,126	2,784,541	(28,415)	149,161	0	1,955,453	(49,302)	2,153,916
57 2020	2	2,419,499	2,458,402	(38,903)	110,258	0	1,955,453	536,774	1,541,336
58 2021	2	1,873,170	1,889,244	(16,074)	94,184	0	1,955,453	799,117	1,255,789
59 2022	1	2,097,939	2,132,885	(34,946)	59,238	0	1,955,453	1,007,141	1,007,550
60 2023	1	1,584,992	1,858,473	(273,481)	(214,242)	0	1,955,453	534,536	1,206,673
<b>61 Gen. Services - Coop. Contr.</b>	<b>18</b>	<b>5,062,052</b>	<b>3,814,144</b>	<b>1,247,909</b>	<b>6,505,952</b>	<b>(140,000)</b>	<b>633,097</b>	<b>6,826,942</b>	<b>379,437</b>
62 2019	17	4,470,685	3,598,666	872,019	4,861,070	(200,000)	0	4,192,537	668,535
63 2020	23	4,329,496	3,831,433	498,063	5,359,135	0	0	4,934,886	424,249
64 2021	23	5,098,942	3,513,157	1,585,785	3,779,433	0	3,165,487	6,764,406	180,514
65 2022	22	5,308,080	3,451,475	1,856,605	8,801,525	0	0	8,705,038	96,486
66 2023	8	6,103,058	4,675,987	1,427,071	9,728,595	(500,000)	0	9,537,843	527,403
<b>67 Gen. Services - State Surplus</b>	<b>5</b>	<b>724,251</b>	<b>747,469</b>	<b>(23,218)</b>	<b>444,379</b>	<b>0</b>	<b>17,092</b>	<b>(77,123)</b>	<b>559,634</b>
68 2019	4	669,815	586,699	83,116	437,954	0	17,092	(129,475)	604,950
69 2020	5	845,332	705,891	139,441	577,395	0	17,092	20,810	658,449
70 2021	5	744,900	784,786	(39,886)	537,509	0	17,092	12,113	542,488
71 2022	5	761,115	868,334	(107,219)	430,290	0	17,092	(64,208)	511,591
72 2023	5	600,093	791,635	(191,542)	238,748	0	17,092	(224,853)	480,693
<b>73 Gen. Services - Federal Surpl</b>	<b>0</b>	<b>100,304</b>	<b>35,065</b>	<b>65,239</b>	<b>95,608</b>	<b>0</b>	<b>84,662</b>	<b>180,270</b>	<b>0</b>
74 2020	0	89,611	44,428	45,183	(30,374)	0	84,662	54,288	0
75 2021	0	113,066	29,904	83,162	52,788	0	84,662	137,450	0
76 2022	0	145,985	24,155	121,830	174,618	0	84,662	259,280	0
77 2023	0	52,555	41,773	10,782	185,399	0	84,661	270,062	0
<b>78 Risk - Administration</b>	<b>29</b>	<b>863,351</b>	<b>707,126</b>	<b>156,224</b>	<b>852,492</b>	<b>(126,068)</b>	<b>80,229</b>	<b>709,001</b>	<b>223,720</b>
79 2019	27	504,713	504,713	0	394,846	0	401,147	795,984	9
80 2020	29	548,618	(99,106)	647,724	813,377	(630,340)	0	799,530	13,847
81 2021	30	932,930	937,474	(4,544)	808,833	0	0	799,797	9,036
82 2022	30	1,097,527	607,733	489,794	1,298,627	0	0	679,193	619,434
83 2023	30	1,232,966	1,584,818	(351,852)	946,775	0	0	470,500	476,275
<b>84 Risk - Auto</b>		<b>2,511,165</b>	<b>2,918,012</b>	<b>(406,847)</b>	<b>(457,112)</b>	<b>0</b>	<b>100,000</b>	<b>(317,433)</b>	<b>0</b>
85 2019		2,179,521	2,232,156	(52,635)	(210,990)	0	100,000	(15,595)	0
86 2020		2,353,956	1,884,317	469,639	258,649	0	100,000	461,649	0
87 2021		2,569,416	2,643,810	(74,394)	184,255	0	100,000	284,255	0
88 2022		2,723,090	3,232,229	(509,139)	(324,884)	0	100,000	(224,884)	0
89 2023		2,729,840	4,597,546	(1,867,706)	(2,192,590)	0	100,000	(2,092,591)	0
<b>90 Risk - Liability</b>		<b>26,741,438</b>	<b>26,450,594</b>	<b>290,844</b>	<b>(2,261,476)</b>	<b>6,053,328</b>	<b>9,104,272</b>	<b>25,277,009</b>	<b>0</b>
91 2019		20,544,747	24,221,823	(3,677,076)	#####	3,000,000	5,400,000	32,653,368	0
92 2020		26,888,344	23,279,630	3,608,714	(9,394,918)	4,630,340	10,030,340	43,636,422	0
93 2021		27,643,672	23,725,238	3,918,434	(5,476,483)	0	10,030,339	49,465,856	0
94 2022		27,457,976	27,814,099	(356,123)	1,803,693	7,636,300	10,030,340	54,875,034	0
95 2023		31,172,452	33,212,182	(2,039,730)	14,763,962	15,000,000	10,030,340	(54,245,635)	0
<b>96 Risk - Property</b>		<b>23,277,881</b>	<b>25,960,148</b>	<b>(2,682,267)</b>	<b>3,514,316</b>	<b>400,000</b>	<b>2,800,000</b>	<b>6,972,450</b>	<b>0</b>
97 2019		18,034,899	17,043,200	991,699	6,386,406	0	4,200,000	11,013,406	0
98 2020		19,511,853	16,173,392	3,338,461	9,724,867	(3,000,000)	1,200,000	9,363,538	0
99 2021		19,563,294	28,103,442	(8,540,148)	1,184,719	0	1,200,000	5,808,719	0
100 2022		24,684,325	20,576,825	4,107,500	8,292,218	3,000,000	1,200,000	9,776,218	0
101 2023		34,595,033	47,903,881	(13,308,848)	(8,016,630)	2,000,000	6,200,000	(1,099,630)	0
<b>102 Risk - SOU Captive Ins. LLC</b>		<b>751,288</b>	<b>388,072</b>	<b>363,216</b>	<b>112,018</b>	<b>0</b>	<b>251,287</b>	<b>(8,445,172)</b>	<b>0</b>
103 2022		180	0	180	180	0	0	180	0
104 2023		1,502,395	776,144	726,251	223,856	0	502,575	(16,890,523)	0
<b>105 Risk - Workers' Comp</b>	<b>2</b>	<b>8,536,257</b>	<b>6,759,568</b>	<b>1,776,689</b>	<b>2,304,182</b>	<b>(1,800,000)</b>	<b>0</b>	<b>2,304,182</b>	<b>0</b>
106 2019	2	9,259,252	8,364,425	894,827	1,183,012	(3,000,000)	0	1,183,013	0
107 2020	2	8,135,662	7,147,182	988,480	1,171,493	(1,000,000)	0	1,171,493	0
108 2021	2	7,697,807	5,836,688	1,861,119	3,032,612	0	0	3,032,612	0
109 2022	2	9,112,256	6,182,707	2,929,549	2,962,161	(3,000,000)	0	2,962,161	0
110 2023	2	8,476,309	6,266,839	2,209,470	3,171,631	(2,000,000)	0	3,171,631	0
<b>111 Finance - Purchasing Card</b>	<b>1</b>	<b>742,420</b>	<b>659,740</b>	<b>82,680</b>	<b>332,047</b>	<b>0</b>	<b>0</b>	<b>217,788</b>	<b>54,610</b>
112 2019	1	417,628	951,635	(534,007)	38,843	0	0	(259,401)	0
113 2020	1	242,614	195,281	47,333	86,177	0	0	86,177	0
114 2021	1	685,814	676,497	9,317	95,494	0	0	95,494	0
115 2022	2	1,016,278	658,303	357,975	453,469	0	0	453,469	0
116 2023	2	1,349,767	816,985	532,782	986,251	0	0	713,199	273,052



State of Utah

SPENCER J. COX  
*Governor*

DEIDRE M. HENDERSON  
*Lieutenant Governor*

## Department of Government Operations Executive Director's Office

MARVIN L. DODGE  
*Executive Director*

MARILEE P. RICHINS  
*Deputy Director*

DAVID DYCHES  
*Deputy Director*

September 27, 2024

Senator Chris H. Wilson, Co-Chair  
Representative Keven J. Stratton, Co-Chair  
Infrastructure and General Government Appropriations Subcommittee  
Via: Ivan D. Djambov, Finance Manager, LFA

Dear Senator Wilson and Representative Stratton,

Thank you for the opportunity to work with the IGG committee and Mr. Djambov on the Accountable Budget Process relative to Internal Service Fund (ISF) divisions. I have reviewed these recommendations with the Department of Government Operations (GovOps) leadership and present the following as the department response. I stand ready to engage further on the recommendations at your request.

### **Recommendation #1 - Reduction of Retained Earnings**

It is important to emphasize that retained earnings (also referred to as "reserves") are extremely critical to the proper functioning of an ISF organization. Because an ISF must set rates as much as 18 months in advance of the fiscal year those rates take effect, changes in expenses or usage patterns will naturally result in costs being above or below the targeted amount. Also, note that retained earnings are already constrained by federal rules, which for DTS is a limit of 45 days of operating expenses while the other department ISFs are allowed up to 60 days. If a given category of retained earnings reaches or exceeds the federal limit, (which seldom occurs – currently 4 of 29 categories) ISF rates are intentionally reduced to under collect to bring levels back within accepted boundaries.

All the categories of retained earnings for DTS are currently within the federal rule with two exceptions. One is Print Services which is only \$35,000 above the limit and will quickly be resolved. The other is the Communication Services category, which is \$1.3 million above the federal rule. For this category, the rate was already set in FY25 and FY26 to under collect to lower these retained earnings. We recommend allowing this standard process, already in place, to reduce retained earnings rather than a one-time adjustment. Eliminating retained earnings, which would require returning the federal portion of the funds, removes the ability to effectively manage fluctuations, and in this case, would likely lead to the Communications program falling into a negative balance.

The Division of Risk Management's retained earnings for all categories except Workers Compensation are within the federal rule of 60 days operating expenses. The Workers Compensation category is above the federal limit by approximately \$397,000.

Similar to DTS, the Workers Comp rate was already set in FY25 and FY26 to under collect in order to lower these retained earnings. We likewise recommend allowing this standard process, already in place, to reduce retained earnings rather than implementing a one-time adjustment. Eliminating retained earnings, which would require returning the federal portion of the funds, removes the ability to effectively manage fluctuations, and in this case, would likely lead to the Workers Compensation Fund falling into a negative balance.

Retained earnings for the Cooperative Contracts category within the Division of Purchasing and General Services has been identified as being above the federal allowable amount by \$7.97 million. The reason for excess reserves is due to an administrative fee applied to an increasing use of Purchasing's cooperative contracts by public entities within Utah and across other states.

Over time the division has decreased their administrative rate as utilization increased to address this issue. In addition, due to federal restrictions on the use of ISF funds, GovOps is submitting a budget proposal to reallocate these funds to resolve negative retained earnings balances within Purchasing and to invest in several equipment and software solutions that would increase the division's efficiency.

We continue to actively manage ISF rates and retained earnings to ensure we can maintain operations while addressing fluctuation in utilization and associated costs.

### **Recommendation #2 – Division of Purchasing and General Services**

We remain concerned at the growing trend to reduce or eliminate General Fund (GF) appropriations to divisions within GovOps. Last summer's Accountable Budget Review for appropriated agencies included mid-year reductions to our GF base budget. Consistently the direction provided by the LFA is to include these costs in our ISF overhead rates. This adds to the tremendous price sensitivity of current ISF rates to our sister agencies. Continued scrutiny of our operations is beneficial to a breaking point where services and staffing are insufficient to meet the ongoing needs of our customers.

Understanding the LFA's desire to remove ongoing GF appropriations from the department, GovOps is submitting a budget request for reallocating those dollars to address appropriation needs in other divisions of GovOps during the FY 2026 budget process. We hope for favorable consideration of our proposal.

### **Recommendation #3 - Compensation Increases to ISFs**

The manner compensation is addressed for ISFs has become a significant challenge. We welcomed significant compensation increases in recent years, but an expectation to treat ISF employees (of which GovOps has approximately 1,300) the same as other state employees, leads to a financial strain. ISF agencies absorb these comp increases an entire budget cycle before rate increases can be proposed, approved, and funded. This also underscores the importance of allowing ISFs to carry sufficient retained earnings to cover these added costs throughout an entire year.

We welcome the LFA's desire to address the ongoing lag between employee compensation adjustments and how those are funded for ISF agencies. We look forward to fully engaging with the LFA to develop a proposal that will provide financial relief without creating a point of friction with our sister state agencies.

**Recommendation #4 - Approval for the ISF's full-time, permanent positions and FTE contractors**

The legislature, through the IGG subcommittee, is already reviewing and approving full-time permanent positions during each annual legislative session. We remain committed to provide FTE numbers for each ISF agency, including a separate accounting of independent contractors utilized in unique circumstances and to meet peak demand, in the format requested by the committee. The following table outlines FTEs in three columns, FY2024 Actual, FY2025 Authorized, and FY2026 Requested.

Divisions	FTE's		
	FY2024 Actual	FY25 Authorized	FY2026 Request
DTS - Enterprise Technology (6680)	775	784.1	779
DFCM - Facilities Management (6150)	156	199	176
<b>RISK</b>	<b>33</b>	<b>38</b>	<b>38</b>
Risk Management Administration (6020)	31	36	36
Workers' Compensation (6030)	2	2	2
Auto (6910)	0	0	0
Liability (6920)	0	0	0
Property (6900)	0	0	0
Captive Insurance (6925)	0	0	0
DHRM (6160)	120	135	151
<b>Purchasing</b>	<b>79</b>	<b>91</b>	<b>91</b>
Print Services (6050)	1	1	1
Admin (6060)	1	1	1
Mailing Services (6070)	45	67	67
Coop Contract Management (6080)	27	16	16
Federal Surplus Property (6100)	0	0	0
State Surplus Property (6110)	5	6	6
<b>Fleet</b>	<b>30</b>	<b>41</b>	<b>41</b>
Motor Pool	14	17	17
Fuel Network	7	7	7
Operations Admin	4	10	10
Transaction Group	5	7	7
Finance - Purchasing Card/Travel ( 6045)	3	6.5	6.5
<b>Total</b>	<b>1196</b>	<b>1294.6</b>	<b>1282.5</b>

The Division of Technology Services is the only ISF that has contract employees. These individuals are primarily programmers used across state agencies on dedicated software development projects. There are currently 214.65 FTE contract positions in FY 2025 and the FY 2026 proposal maintains the current 214.65 FTE count.

**Recommendation #5 – Authority to Charge Less Than the Approved Rates**

We completely agree with this recommendation and encourage passage of the language recommended. Rates should be considered authorized up to the maximum, allowing flexibility for GovOps to charge less than the set rate when possible.

**Recommendation #6 – Create Appropriation Units for DTS**

We agree with this recommendation for the ISF portion of DTS, in line with having created additional appropriation units for the appropriated side of DTS last summer. We propose the following appropriation units be created for the ISF, which mirror their organizational structure and how they report ISF impacts to the federal government annually.

- Desktop Services
- Hosting Services
- Application Services
- Print Services
- Communication Services
- Network & Security Services
- Administration & Overhead

**Recommendation #7 – Transfer Between Line Items**

We agree with this recommendation so that all the finances for the state Travel Office are combined within their new host agency – the Division of Finance.

**Recommendation #8 – DTS Billing**

DTS acknowledges concerns from agencies regarding their monthly bill. However, the 2012 ISF Customer Satisfaction Survey, which is 12 years old, is quite out of date. While progress on this issue has been made there remain two significant challenges with the DTS bill we are striving to address – billing for cloud computing and accurate device inventory.

First, over the last several years agencies in conjunction with DTS have shifted a significant quantity of computing resources from on-premises to the cloud. At this point, more than two-thirds of the state's applications are running on cloud services. While this is a good transition, the industry readily recognizes the complex billing for cloud services from vendors like AWS needs additional maturity. DTS is actively working on solutions to make cloud billing – which include approximately 60,000 lines of charges monthly - more accessible, summarized, and usable.

Second, DTS is actively working with agencies to accurately inventory and track the technology devices being used, mothballed, or removed through surplus. DTS is actively phasing in a "PC as a Service" program that will revolutionize the replacement, tracking, and surplus of all computers used by state

agencies and their employees. Once this program is fully deployed most billing questions and challenges will be eliminated due to the automation and accuracy we will achieve.

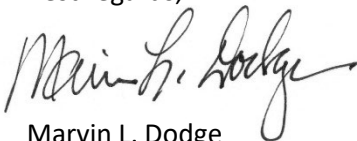
DTS plans to implement the following process to address this recommendation.

1. DTS Billing will provide access for all agency customers to a live view of their agency bill through the Technology Enterprise Billing System (TEBS). This system handles all the billing information generated and stored by DTS.
2. Agencies will have access to view their monthly bill no less than 10 days before it is processed through FINET. This could be the actual TEBS view or through a Query software like DOMO or Power BI.
3. With access to TEBS, customers will be able to see their bill as it is built throughout the month.
4. Adjustments to an agency bill may be requested through the billing period and agencies will be able to see changes as they are applied to their account.
5. Additional agency input would be required if the resolution takes longer than the 10-day window being provided.

Other considerations were explored including setting up Internal Exchange Transactions (IETs), and Internal Cost Transactions (ICTs), however, these solutions would include up to 9,000 transactions to approve 60,000 billing lines monthly. Collective concerns about overwhelming the FINET system and the limited number of budget/finance staff within agencies make these less practical at this point in time. We are also considering moving from monthly to quarterly billing in the future. On a quarterly basis agencies would have additional time to review and request modifications to their bill.

Thank you again for the opportunity to respond to the recommendations outlined in the Accountable Budget Process. GovOps remains committed to continuously improve our operations to meet the needs of our sister agency customers. We look forward to an ongoing dialogue with the LFA and Governor's Office of Planning and Budget to address the lag in funding annual compensation adjustments.

Best regards,



Marvin L. Dodge  
Executive Director