

A QUARTERLY REPORT ON  
THE EFFECTIVENESS OF EXECUTIVE ORDER 2009-07S:  
*IMPLEMENTING ADDITIONAL SPENDING CONTROL STRATEGIES*

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# **Executive Summary**

## **Overview**

Executive Order 2009-07S, Implementing Additional Spending Control Strategies, was issued on April 22, 2009, in response to the continued decline in state revenues. This Order established several cost-savings and spending control strategies to be implemented by DAS and OBM and to be utilized by state agencies, boards and commissions during Fiscal Years 2009, 2010 and 2011.

Your Order also requires that the Directors of OBM and DAS monitor the implementation of this Order and provide quarterly reports to you regarding the effectiveness of the Order. In addition, we are expected to provide you with suggestions if we observe unintended consequences of the Order.

This document serves as our report for the first quarter of Fiscal Year 2010. This report includes three sections. Section I contains survey results regarding the effectiveness of your Order's strategies. Section II contains actual spending data for the first fiscal quarter for agencies, boards and commissions for three expense categories. Section III contains the conclusion, which includes the actions that DAS and OBM will undertake between now and the next report due January 31, 2010.

## **Survey of Agencies to Gauge Effectiveness of Strategies**

Section I of this report provides you with the results of a survey that gauged the effectiveness of your Order's strategies in reducing expenses. The survey was recently completed by cabinet agencies' Chief Financial Officers and by several Executive Directors of the boards and commissions. We were pleased with the level of participation by both groups and believe that agencies, boards and commissions are well represented in the survey results. The responses indicate that agencies recognized the value of their feedback in helping to identify and advise where modifications may be needed to improve the effectiveness of the Order's implementation. We also appreciated the comments received for the strategies that aided DAS and OBM in analyzing where agencies consider a strategy to be an effective cost-savings tool versus those strategies where changes or increased DAS/OBM support may be warranted to better assist agencies in applying the strategies.

The survey showed that 15 of 20 strategies were deemed effective by at least 75% of the responding agencies. It is also fair to state that although agencies may have voted a strategy to be effective, the comments sometimes conveyed their struggles with the application of that strategy. In addition, a number of strategies with high effective scores from some agencies also had high ineffective scores from other agencies. For these and others, DAS and OBM will be reviewing the tactics and/or execution of several strategies. Upon completion of our reviews, we will provide you with our findings and the corresponding recommendations.

### **First Quarter Agency Spending – FY 2009 v. FY 2010**

Section II of this report provides you with a summary of agency spending for the first quarter of Fiscal Year 2010. The report shows a combined sum of the three expense categories affected by the executive order: agency contracts (510), maintenance (520), and equipment (530) categories. We've also included the same data for the first quarter of Fiscal Year 2009 to show the comparison in spending by agencies between the two fiscal years. Overall, state agencies spent notably less on these expenses at the beginning of this fiscal year versus last. Total spending dropped 17.8% from \$578.5 million in the first quarter of Fiscal Year 2009 to \$475.4 million for the same period in Fiscal Year 2010. Looking at first quarter spending this year versus last, agency contract expenses declined \$34.7 million (17.6%), maintenance costs dropped \$66.4 million (17.7%), and equipment costs went down \$1.9 million (32.0%).

In Am. Sub. H.B. 1, agency GRF budgets were significantly reduced compared to the prior year. The strategies identified in Executive Order 2009-07S can help agencies reduce their expenses in order to live within fiscal year 2010 appropriations. While personnel costs tend to be more fixed, agencies tend to have more discretion on expenses for contracts, maintenance, and equipment. The first quarter report demonstrates that agency budget cuts are having the anticipated restrictive effect.

### **Summary**

Based on the combined results of the survey and first quarter spending data, we can conclude that your Executive Order is achieving your objective to reduce agency spending and that agencies continue to be vigilant to reduce spending, where possible.

## II. Survey to gauge effectiveness of the 20 strategies

In order to gauge the effectiveness of the strategies contained in Executive Order 2009-07S, DAS and OBM prepared a survey that was deployed to cabinet agencies' Chief Financial Officers and to the Executive Directors of the boards and commissions. For this survey, each agency was asked to complete one survey and score the level of effectiveness of each of the 20 strategies. The survey allowed agencies to apply one vote to each strategy. There were six voting choices, four scoring responses which gauged effectiveness and two non-scoring responses which agencies could select when unable to gauge a strategy's level of effectiveness. The voting choices were:

1. Very effective
2. Effective
3. Ineffective
4. Very ineffective
5. Unable to answer at this time
6. Not applicable

Survey results for each strategy are summarized starting on page 7.

### Observations

The survey results revealed trends in the agencies' perspectives of the strategies. The results shows that at least 15 of the 20 strategies received effective/very effective votes by 75% of the responding agencies, boards and commissions. The most frequent scoring trends are listed below:

#### Strategies most often viewed as being effective

- Travel expense reductions (8.c.i)
- Mileage reimbursement rate (8.c.ii.)
- Alternatives for in-person meetings (8.c.iv.)

#### Strategies most often viewed as being less than effective

- Agency review of purchase requests \$1,000 and above. (8.b.i.)
- Rebid rather than renew (8.b.iii.)
- Reduce contract encumbrances (8.b.iv.)
- *Note: Although 19 of the 20 strategies received higher numbers of effective votes over ineffective votes, several strategies did receive notable percentages of ineffective votes.*

#### Strategies most often deemed "not applicable"

- Reduce contract encumbrances (8.b.iv.)
- Employee parking expenses (8.f.)
- Rebid rather than renew (8.b.iii.)

#### Strategies most often deemed "unable to answer"

- OAKS online travel authorization (8.c.iii.)
- Information technology reductions: hardware, software, services (8.e.ii.a.)
- Information technology reductions: reduction of energy consumption (8.e.ii.e.)

## Survey Results: Percentages of Effectiveness and Recommended Actions

The table below lists all of the strategies discussed in this report, along with an effectiveness index based on the survey results and recommended action for each strategy. The effectiveness index was calculated by totaling the 'very effective' and 'effective' votes for each strategy and dividing that number by the total number of scoring votes (very effective + effective + ineffective + very ineffective). Non-scoring votes (not applicable, unable to answer) were excluded from the count. For example, of 36 responding agencies, if 25 voted for one of the four levels of effectiveness and 11 gave non-scoring votes, the calculation was adjusted to count only the scoring votes of those 25 agencies. This percentage adjustment was made for each strategy below. The recommended action is a high-level recommendation; more detailed recommendations can be found in the narratives for each strategy starting on p. 7.

No.	Strategy	Effectiveness Index	Recommended Action
8ci	travel expense reductions	<b>94%</b>	4 Continue this strategy
8cii	mileage reimbursement rate	<b>93%</b>	4 Continue this strategy
8civ	alternatives for in-person meetings	<b>93%</b>	4 Continue this strategy
8eiid	IT reductions - printing & records	<b>89%</b>	4 Continue this strategy
8cv	use fleet vehicles	<b>86%</b>	2 Review tactics and/or execution
8dii	major printing & related services	<b>85%</b>	2 Review tactics and/or execution
8di	interoffice mail service	<b>84%</b>	4 Continue this strategy
8eiie	IT reductions - energy	<b>83%</b>	3 Allow time to observe and reassess
8eiic	IT reductions - delay projects, extend service life	<b>83%</b>	4 Continue this strategy
8eiia	IT reductions - common hardware, software, etc.	<b>81%</b>	3 Allow time to observe and reassess
8bv	purchasing standards & strategic sourcing	<b>79%</b>	3 Allow time to observe and reassess
8eiib	IT reductions - blackberries and mobile devices	<b>78%</b>	4 Continue this strategy
8bvi	in-sourcing	<b>76%</b>	4 Continue this strategy
8bvii	equipment & furniture purchases	<b>76%</b>	1 Review this strategy
8bii	contract renegotiation	<b>75%</b>	4 Continue this strategy
8f	parking expenses	<b>70%</b>	4 Continue this strategy
8ciii	OAKS on-line travel	<b>65%</b>	3 Allow time to observe and reassess
8bi	agency review of purchases \$1,000 or more	<b>62%</b>	1 Review this strategy
8biii	rebid rather than renew	<b>56%</b>	4 Continue this strategy
8biv	reduce contract encumbrances	<b>37%</b>	2 Review tactics and/or execution
Effectiveness Index = effective + very effective responses, divided by the number of responses in which effectiveness was rated.			
It does not include "not applicable" or "unable to answer at this time" in the total.			

## Recommended actions

It is recommended that all strategies be continued. When analyzing the survey results, however, DAS and OBM were able to identify four courses of recommended action:

Review this strategy. This recommendation was assigned to the two strategies below. Although it is recommended that these strategies be continued, the survey also revealed that additional review of these strategies is warranted to ensure that the strategies are operationally viable as well as cost-effective.

1. Agency review of purchase requests \$1,000 and above (8.b.i.)
2. Equipment and furniture purchases (8.b.vii.)

Review tactics and/or execution. These strategies should be continued and reviews conducted of the supporting tactics being provided by DAS or OBM and/or with the execution of the strategies.

1. Reduce contract encumbrances (8.b.iv.)
2. Use fleet vehicles (8.c.i.)
3. Major printing and related services (8.d.ii.)

Allow time to observe and reassess. This recommendation was assigned to the four strategies below which are still underway and/or are in development. These strategies should be continued and will be subject to review in future quarterly reports.

1. Purchasing standardization and strategic sourcing spending controls (8.b.v.)
2. OAKS on-line travel (8.c.iii.)
3. IT reductions: common hardware, software, servers, etc. (8.e.ii.a.)
4. IT reductions: energy consumption (8.e.ii.e.)

Continue this strategy. This recommendation was assigned to the 11 strategies below that should be continued, as is. Tactics for these strategies are developed although DAS and OBM will assess specific concerns raised by agencies.

1. Contract renegotiation (8.b.ii.)
2. Rebid rather than renew (8.b.iii.)
3. In-sourcing preferred (8.b.vi.)
4. Travel expense reductions (8.c.i.)
5. Mileage reimbursement rate (8.c.ii.)
6. Alternatives for in-person meetings (8.c.iv.)
7. Interoffice mail service (8.d.i.)
8. IT reductions: reduce mobile devices (8.e.ii.b.)
9. IT reductions: extend service life of IT systems (8.e.ii.c.)
10. IT reductions: printing and electronic records (8.e.ii.d.)
11. Parking expenses (8.f.)

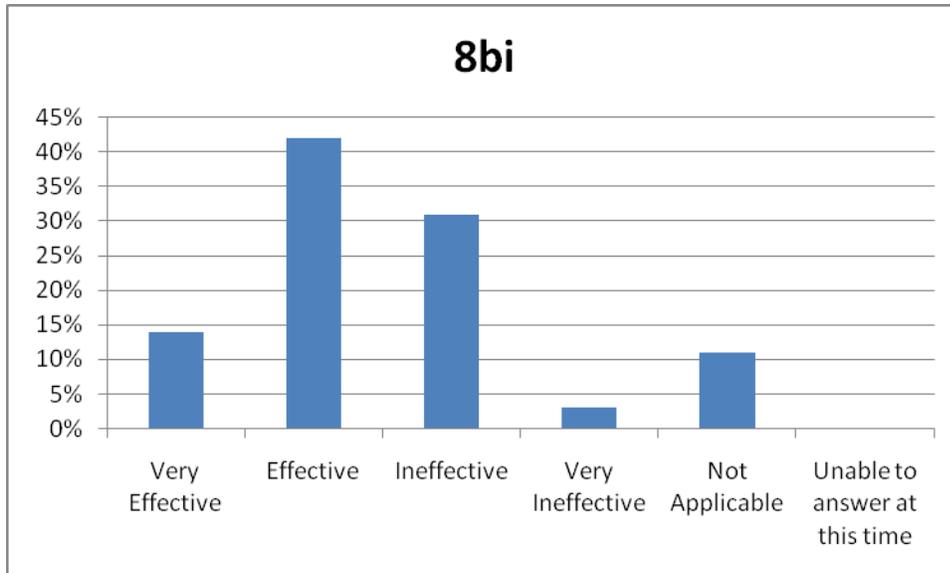
The survey's summary scores, comments and recommended actions for each strategy can be found starting on page 7.

## **Survey Summaries by Strategy**

**Agency Review of Purchase Requests \$1,000 and above. (8.b.i.)**

*All Executive Agency purchase orders for supplies or services that cost \$1,000 or more must be personally reviewed and approved by the Executive Agency Director or the Director's designee.*

Agency responses to the question of effectiveness:



Summary: This survey question sought agencies' feedback with regard to the cost-savings strategy that requires purchase requests of \$1,000 or more be approved by the agency Director. Of the responding agencies, boards and commissions, 56% consider this strategy effective while 34% consider it ineffective.

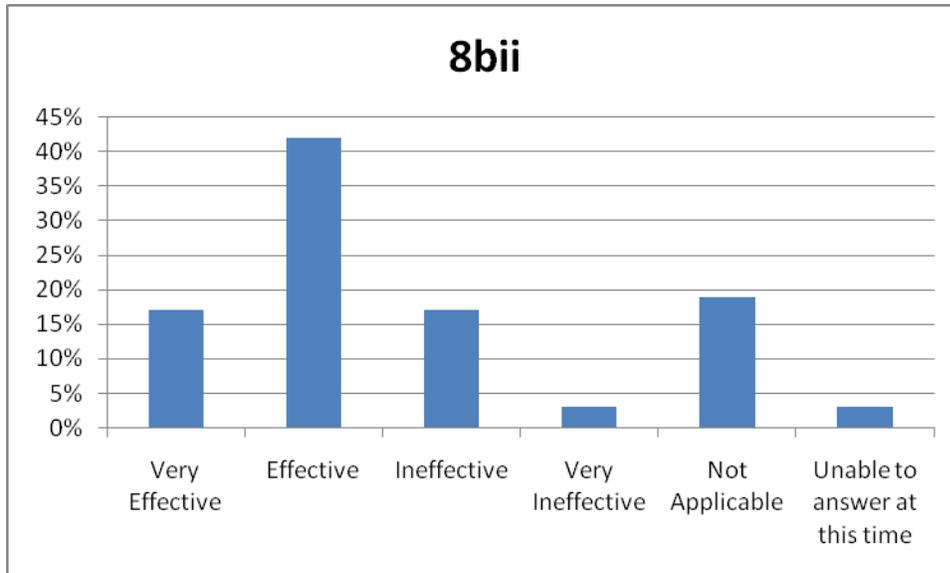
Comments from the agencies varied with some indicating that director-level reviews have been effective due to the additional level of scrutiny while others expressed that the added review is burdensome and produced little change. Some expressed discontent with the duplication of having to monitor purchases when budgets have already been approved while others feel that the approval process has been positive in reducing non-critical spending.

Recommendation: Review this strategy. Although this strategy should be continued, a review of the threshold level is appropriate.

**Contract Renegotiation (8.b.ii.)**

*Where legally permissible, renegotiate a 15% or greater reduction in a contract’s financial terms while maintaining substantial equivalency of other terms contracts (i.e., reduce hourly rates, reduce scope, eliminate or defer deliverables).*

Agency responses to the question of effectiveness:



Summary: This strategy sought agencies’ feedback regarding the effectiveness of reducing the financial terms of state contracts by 15%. The survey responses revealed that 59% of the agencies deemed this strategy effective while 20% deemed it ineffective.

Agencies commented that this strategy is especially helpful with IT contracts and with long-standing contracts. Comments also indicated that vendors were responsive in reducing contracts except in situations where GRF contracts existed and where profit margins did not support further discounts. In these situations, vendors are applying a discount of less than 15%.

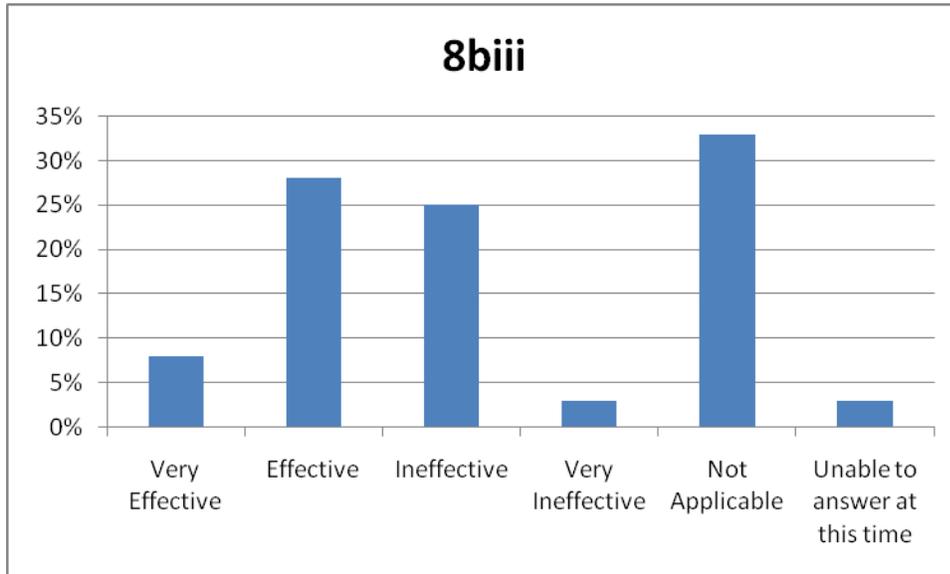
For its statewide contracts, DAS sent letters to its contract vendors requesting the 15% reduction, with 228 vendors agreed to the reduction. Because of spending cuts affecting some of these same supplies and services contracts, it is difficult to estimate the dollar savings associated with this initiative.

Recommendation: Continue this strategy. Agencies should continue their efforts to identify contracts eligible for reductions and work with vendors to attain savings. DAS should continue its work with vendors to reduce enterprise contracts.

**Rebid Rather Than Renew (8.b.iii.)**

*Allow contracts to expire and rebid the contract unless the agency Director determines that the costs would likely increase under a new contract.*

Agency responses to the question of effectiveness:



Summary:

This survey question sought agency feedback relative to the strategy to allow contracts to lapse and rebid to reduce costs. This strategy drew conflicting responses from the agencies, boards and commissions with 36% deeming it effective and 28% ineffective. This strategy was not applicable to 33% of the responding agencies.

Analysis of the survey data reveals that agencies have historically utilized this strategy and continued to do so to reduce costs. It was also noted that although effective, this strategy did not necessarily generate additional savings since it is a standard practice. Agencies also indicated that their evaluations of the market affirmed that renewal of their existing contracts were more cost effective than rebidding. Agencies also commented that the rebidding process requires the availability of staff to do the work during a time when staffing levels are compromised.

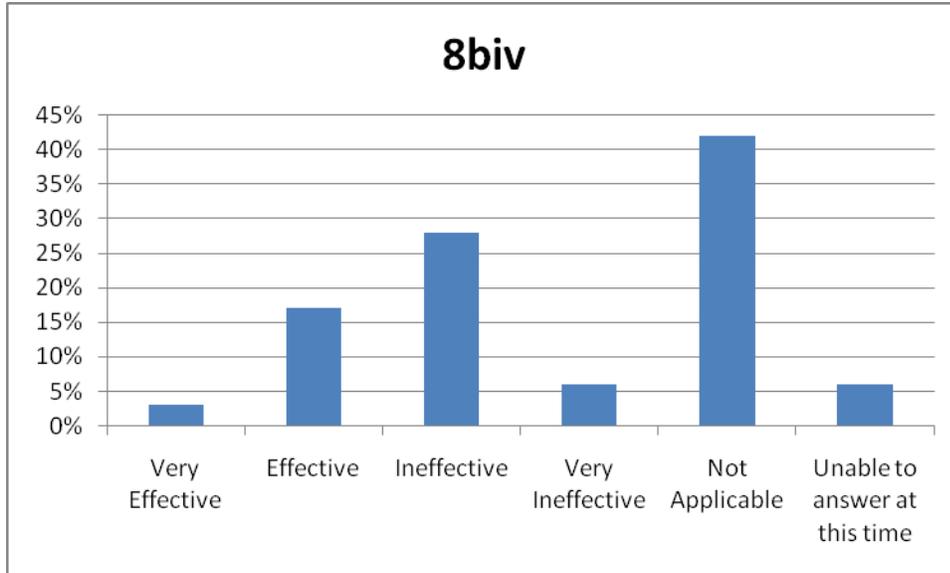
Because of the short time period between the April 22 issuance of the Executive Order and the expiration of many contracts on June 30, many agencies did not have adequate time to rebid and potentially transition to a new vendor. This strategy is more effective in the long term than the short term.

Recommendation: Continue this strategy. DAS should continue to identify rebid opportunities on enterprise contracts, in concert with the strategic sourcing initiative under 8.b.v.

**Reduce Contract Encumbrances (8.b.iv.)**

*All encumbrances by Executive Agencies for contracts supported by non-capital funds entered into prior to July 1, 2009, shall be cancelled on or before July 31, 2009, unless doing so is deemed fiscally imprudent by the OBM Director.*

Agency responses to the question of effectiveness:



Summary: This question sought agencies’ feedback regarding the year-end cancellation of encumbrances. As noted in the July 30, 2009, report which summarized FY09 efforts, this exercise yielded \$120.5 million through the cancellation of old encumbrances that were no longer needed from previous fiscal years (2008 and prior). Agencies’ responses to this survey question indicated that only 20% deemed this an effective strategy while 34% deemed it ineffective. It was not applicable to 42% of the respondents.

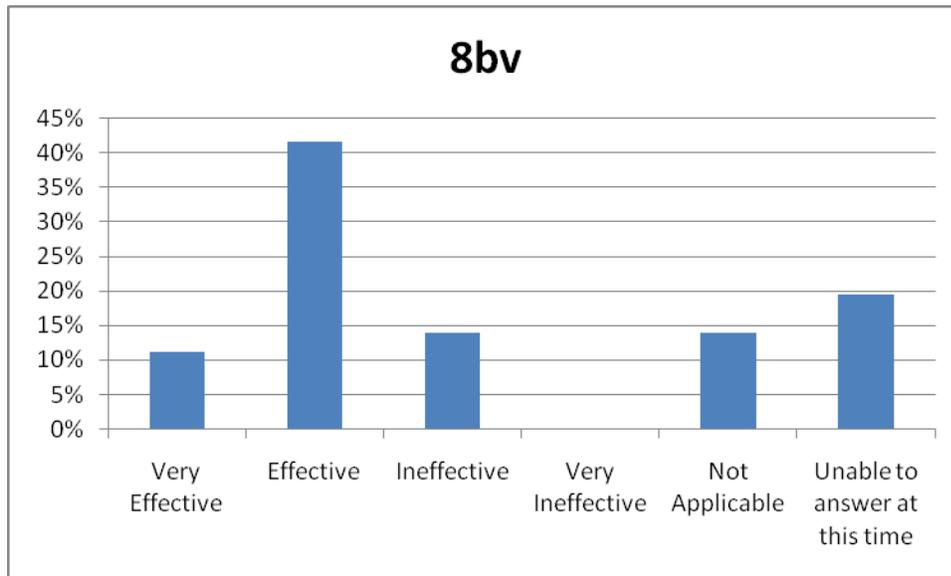
Comments suggest that agencies found this strategy ineffective due to the tight timeframe in which encumbrances were cancelled. Agencies conveyed that this strategy had little impact on ultimate spending and expressed concerns with this exercise due to potential contractual problems and poor commitment accounting. It was suggested that if this exercise is repeated for FY10, then purchase orders should be assessed on a case-by-case basis rather than by date.

Recommendation: Review tactics and/or execution. If this one-time strategy is used again, OBM will consider the timing of cancellations and individual agency circumstances.

## Purchasing Standardization and Strategic Sourcing Spending Controls (8.b.v.)

*In order to maximize potential expenditure savings, it may be necessary for Executive Agencies to cooperate in pooled purchasing and strategic sourcing efforts which combine the supplies or service needs of multiple agencies.*

Agency responses to the question of effectiveness:



Summary: This survey question sought agencies' perspectives on the introduction of strategic sourcing. Among the responding agencies, 53% deemed this an effective cost-savings strategy while 14% deemed it ineffective. Notably, 33% did not score this strategy because they were unable to answer at this time or because it was not applicable.

Comments from the agencies indicate they support strategic sourcing and are optimistic about its continued use in state government. A suggestion for improvement includes a process in which individual agency requirements are considered to the greatest extent possible in pooled purchasing and strategic sourcing environments because failure to engage an agency could result in a decline in responsiveness and losses of efficiency. A concern was also expressed that balancing pooled purchases would interfere with agencies meeting their MBE and EDGE goals.

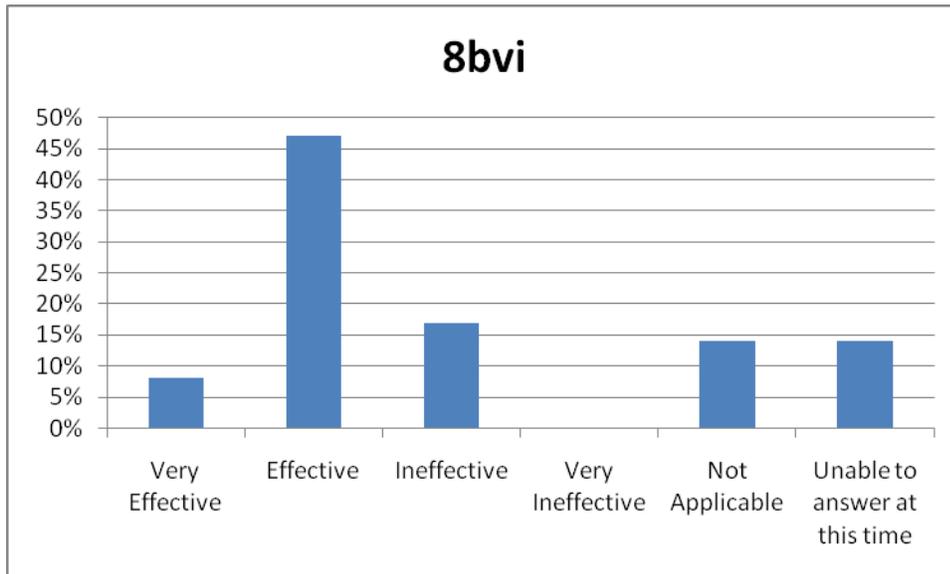
The results of strategic sourcing are beginning to show and will become more apparent over the biennium. Early successes include new contracts for food, pharmacy benefits management, personal computers, and mainframe software. Estimated savings from new strategic sourcing contracts is \$29.5 million over the next three years.

Recommendation: Allow time to observe and reassess. This strategy should be continued and as new sourcing opportunities are identified, DAS should notify all agencies of new and emerging areas where better pricing can be sought and realized.

### In-sourcing Preferred (8.b.vi.)

*Prior to entering into a contract for outsourced services, thoroughly investigate whether the required services can be provided by state employees in the most cost-effective manner.*

Agency responses to the question of effectiveness:



Summary: This survey question sought agencies' feedback regarding the cost-effective utilization of state employees in lieu of contracted workers. Agencies responded favorably with 55% deeming it an effective strategy and 17% as ineffective.

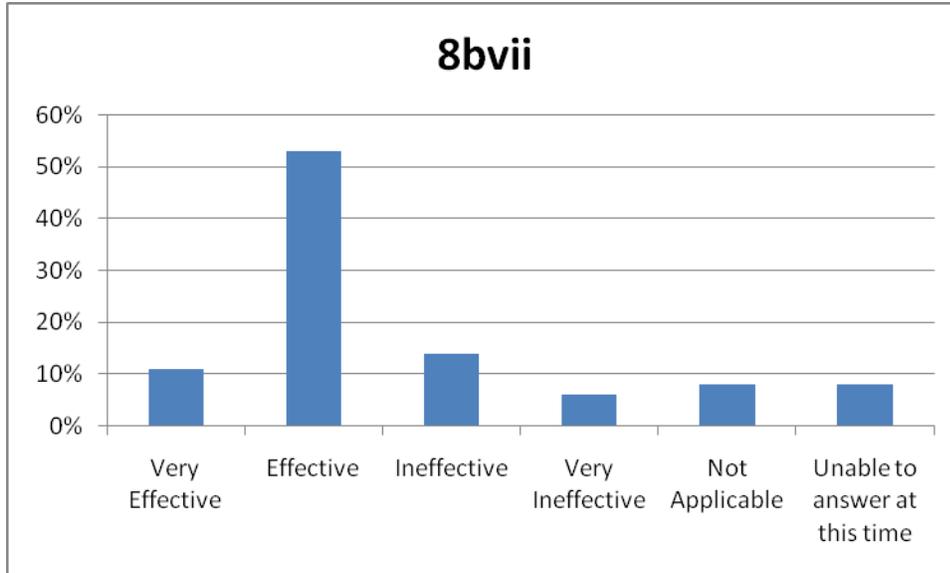
Agencies indicated that this is an existing strategy that is used. Several also reported a conflict with the hiring controls which will be clarified because OBM and DAS are receptive to hiring a state employee to do the work in lieu of a more costly contract worker who performs that same work. Another agency commented that more flexibility is needed in position descriptions to allow reassignment of employees to fill staffing gaps in other work locations.

Recommendation: Continue this strategy. Although this strategy should be maintained, DAS and OBM should clarify the hiring control policy in relation to this strategy. Hiring an employee for less cost to assume ongoing work that has been contracted out is desirable under the hiring controls.

**Equipment and Furniture Purchases (8.b.vii.)**

*Continue to make equipment and furniture purchases in strict compliance with the OBM Control on Equipment Directive, dated Jan. 31, 2008, which was revised to include all furniture purchases.*

Agency responses to the question of effectiveness:



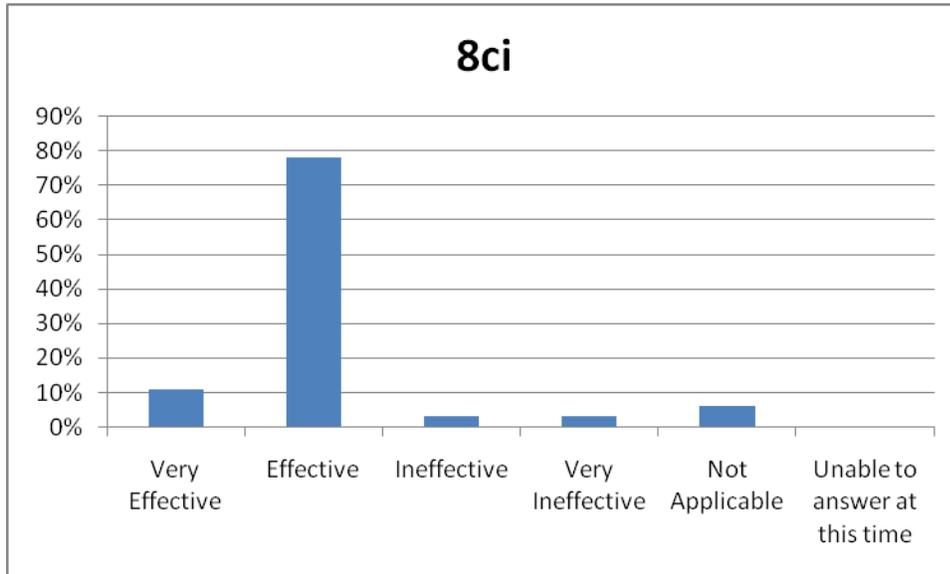
Summary: This survey question sought agencies’ perspectives on the OBM controls on purchase requests for equipment and furniture. Although this question received a positive vote of 64% for its effectiveness, agencies were quick to point out that the review process is cumbersome and equipment and furniture purchases are already governed by budget cuts. It was also observed that during fiscal emergencies, furniture and equipment are the first expenditures that agencies cut. Agencies also commented that while this strategy has been effective in reducing furniture and equipment costs, the administrative review process is slow and adds indirect costs due to the additional staffing time to prepare and manage the justifications.

Recommendation: Review this strategy. Although this strategy should be continued, a review should be conducted on the types of funds (GRF, non-GRF) subject to review, the threshold levels for the controls and continued use of this strategy since budget cuts serve as an inherent limiting factor.

### Travel Expense Reductions (8.c.i)

Continue to comply with OBM's travel directive dated January 31, 2008, which required Executive Agencies to control nonessential travel expenses.

Agency responses to the question of effectiveness:



Summary: This strategy affirmed that agencies were expected to continue to comply with OBM's directive on travel. Agencies responded favorably to this strategy with 89% deeming it effective and 6% ineffective.

Agencies expressed support of this strategy and indicated that they have experienced reductions in their travel budgets due to the elimination of non-essential travel. It was mentioned that although this strategy is effective, it has not generated additional savings because it was already in place prior to the release of this executive order.

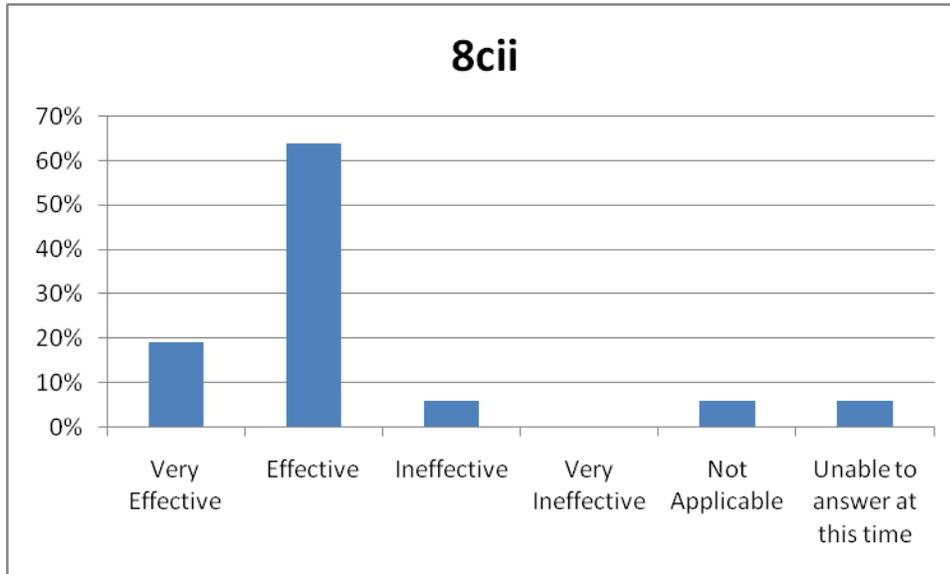
Travel reimbursement expenses (category 5230) for quarter one of fiscal year 2010 were \$4.4 million as compared \$5.9 million for the same period of time in fiscal year 2009 representing a reduction of \$1.5 million (25.1%) between the two fiscal quarters.

Recommendation: Continue this strategy.

**Mileage Reimbursement Rate (8.c.ii.)**

*The mileage reimbursement rate is reduced to 45 cents per mile, effective May 1, 2009, for all exempt personnel and effective October 1, 2009, for all bargaining unit employees.*

Agency responses to the question of effectiveness:



Summary: This survey question sought agencies’ perspectives on the reduction in the mileage reimbursement rate for both exempt and bargaining unit employees. The agencies responded favorably with 83% deeming this strategy effective and 6% as ineffective.

Comments indicate that agencies have garnered significant savings because of this strategy especially when combined with the strategies to reduce travel and use fleet vehicles.

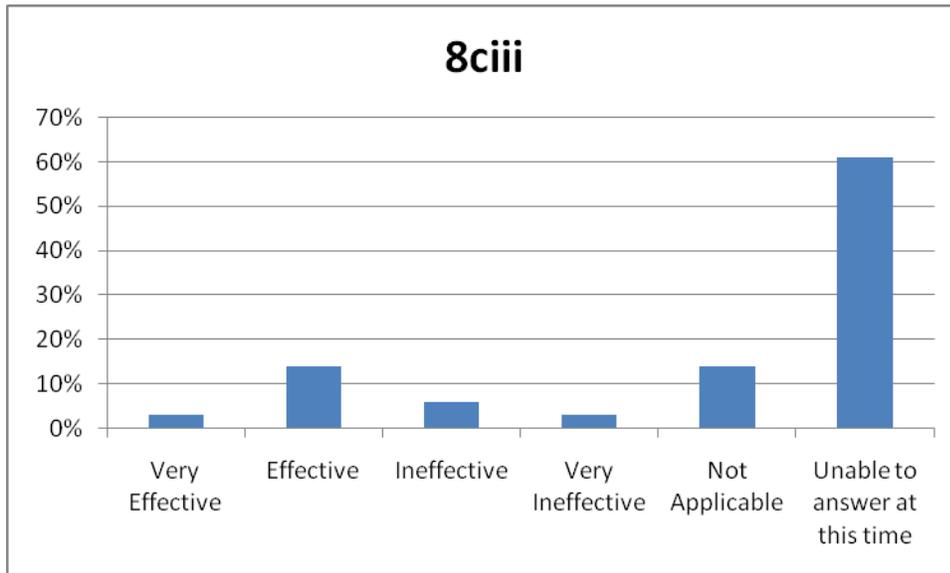
Agencies have been driving fewer miles overall, which has translated into savings in mileage reimbursement. State employees were reimbursed for 18,592,441 miles traveled in FY09, down 25% from 24,844,174 miles in FY08. Given the different reimbursement rates each year, this translated into a savings of \$810,691 in FY09.

Recommendation: Continue this strategy.

**OAKS Online Travel Authorization (8.c.iii.)**

*All Executive Agencies shall, when it becomes available, use the online travel and expense reimbursement process which will require employees to enter the necessary information directly into OAKS.*

Agency responses to the question of effectiveness:



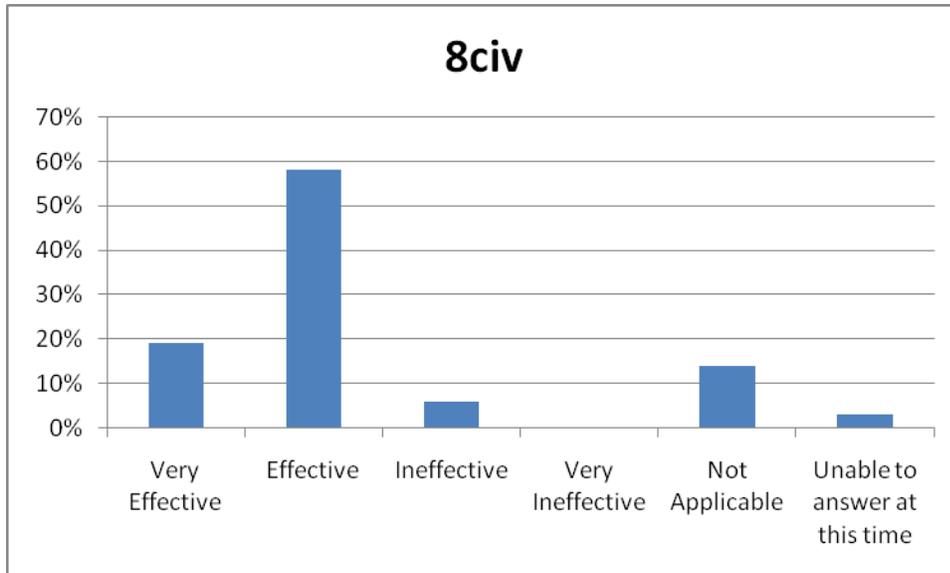
Summary: This survey question sought agencies' initial feedback on the use of the online travel authorization and reimbursement module that was implemented on October 1, 2009, by the OBM Office of Shared Services. Among the responding agencies, 61% indicated that they were unable to gauge the effectiveness of this strategy at this time because the new travel module was just launched.

Recommendation: Allow time to observe and assess this strategy. This strategy should be continued, however, since online travel authorization and reimbursement just began in October, no discernable trends are available yet. As this new process gets underway, OBM will monitor its progress, implementation, and outcomes.

**Alternatives for In-Person Meetings (8.c.iv.)**

*Conduct necessary meetings concerning the business of the state, whenever possible, using conference calls, teleconferences, webinars or other technology tools to preclude the need for state employees to travel by automobile to participate in a meeting.*

Agency responses to the question of effectiveness:



Summary: This question sought agencies’ feedback on the use alternative mechanisms to accomplish in-person meetings thereby reducing vehicular travel and related expenses. Agencies’ responses to this question were favorable and indicated that 77% deemed this an effective strategy while 6% deemed it ineffective.

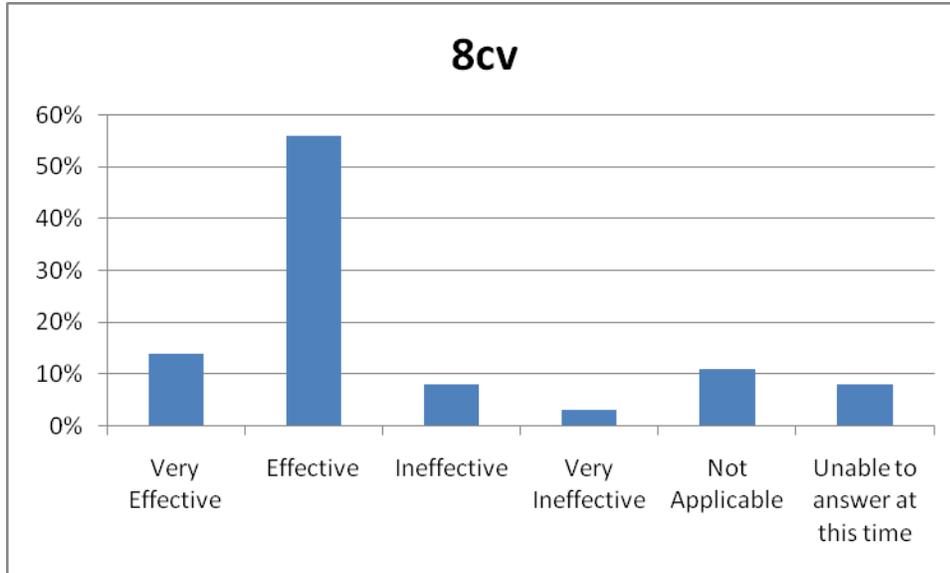
Comments from agencies revealed that several agencies were already using teleconferences, web meetings and video conferences which they deem effective. Other agencies indicate that they have begun using or have expanded the use of these technologies which has been viewed positively by both customers and employees. Some agencies pointed out that the Opens Meeting Act requires that public meetings be conducted in person. Teleconferencing would significantly reduce travel costs for many in-person public meetings but is not currently possible per statute.

Recommendation: Continue this strategy. DAS should continue to work to find a web conferencing product that can be used throughout the enterprise.

**Use Fleet Vehicles (8.c.v.)**

*Use fleet vehicles for official travel when a fleet vehicle is readily available. No Executive Agency employee is authorized to engage in reimbursable travel when a fleet vehicle is readily available for that travel.*

Agency responses to the question of effectiveness:



Summary: This survey question sought agencies' feedback on the strategy that requires state employees to use fleet vehicles, where possible, in lieu of using a personal vehicle. Agencies response to this question revealed that 70% deemed it an effective strategy while 11% deemed it ineffective.

Comments from agencies indicate that fleet-based travel was already an established expectation and/or that agencies have increased the use of fleet-based travel either through the purchase of fleet vehicles or through fleet rentals from DAS. A few agencies commented that reimbursing an employee is more cost effective than renting a DAS fleet car. It was also suggested that the OBM Office of Shared Services' travel and expense procedures be modified to require that employees submit a fleet denial form when reimbursement is requested for personal mileage to show that a fleet vehicle was not available.

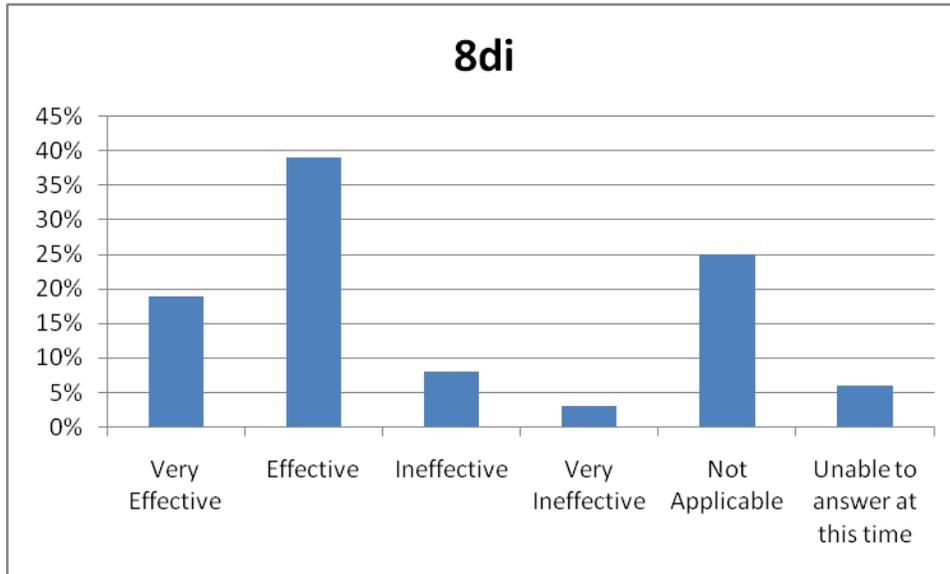
Even with an emphasis on using state vehicles rather than mileage reimbursement when cost effective, the size of the state fleet has actually decreased slightly over the last two years, from 11,854 vehicles at the end of FY07 to 11,821 at the end of FY09. Over the past six years, the fleet has decreased by 5.9% from 12,563 vehicles in 2003.

Recommendation: Review tactics and/or execution. This strategy should be continued, however, DAS and OBM will assess the supporting procedures.

**Interoffice Mail Service (8.d.i.)**

*Use the free DAS interoffice mail service for all mail deliveries to other Executive Agencies in central Ohio.*

Agency responses to the question of effectiveness:



Summary: This survey question sought agency feedback regarding the use of the interoffice mail service for mail deliveries to other state entities. Of the responding agencies, 58% deemed this an effective cost-saving strategy and 11% deemed it ineffective.

In addition, 25% of the agencies deemed this strategy as not applicable because they have been using the interoffice mail service for years.

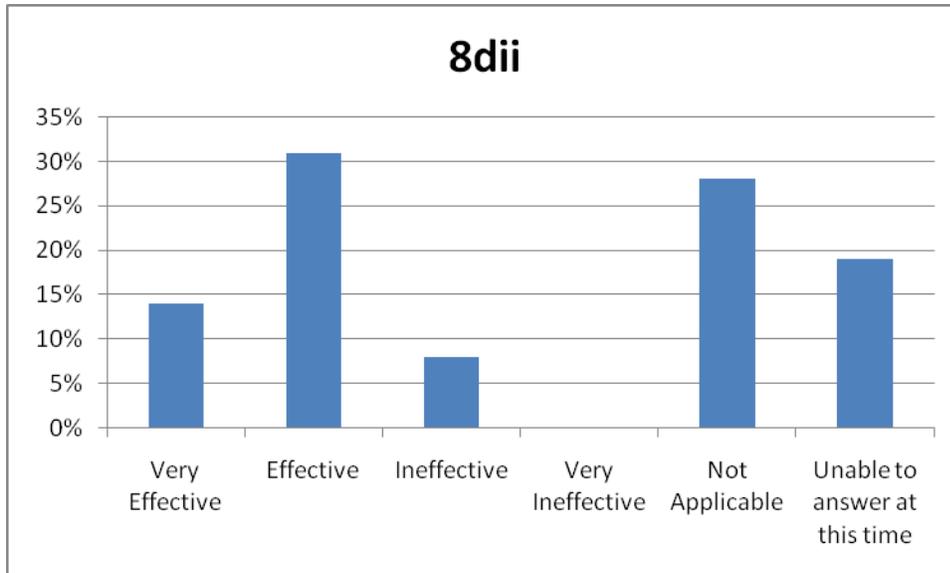
Since the executive order, 16 new agencies have joined the centralized mail metering program, a 30% increase from 53 agencies using the service previously. Agencies that have transitioned their mail processing to DAS have reported savings of \$64,440 in equipment and supply cost. Additional savings from staff reassignment is not included. State Mail Service is now processing an estimated 1,086,927 additional pieces of mail annually without additional staffing or equipment.

Recommendation: Continue this strategy.

**Major Printing and Related Services (8.d.ii.)**

*By October 1, 2009, all Executive Agencies shall direct all of their major printing and related services through DAS, including production-level copying, mainframe printing, and mail preparation activities and eliminate their internal operations providing these services.*

Agency responses to the question of effectiveness:



Summary: This question sought agency feedback with regard to the increased use of DAS state printing and mail in lieu of their internal operations. The survey responses revealed that 45% of the agencies deemed this strategy effective, 8% deemed it ineffective and a combined 47% deemed it not applicable or unable to answer. Comments from several agencies indicated that they are utilizing DAS for their major production-level copying, mainframe printing and mail preparation activities.

In FY09 there were seven agencies with production-level printing facilities. Four of those agencies have been centralized into DAS printing operations, and the remaining three are in varying stages of conversion.

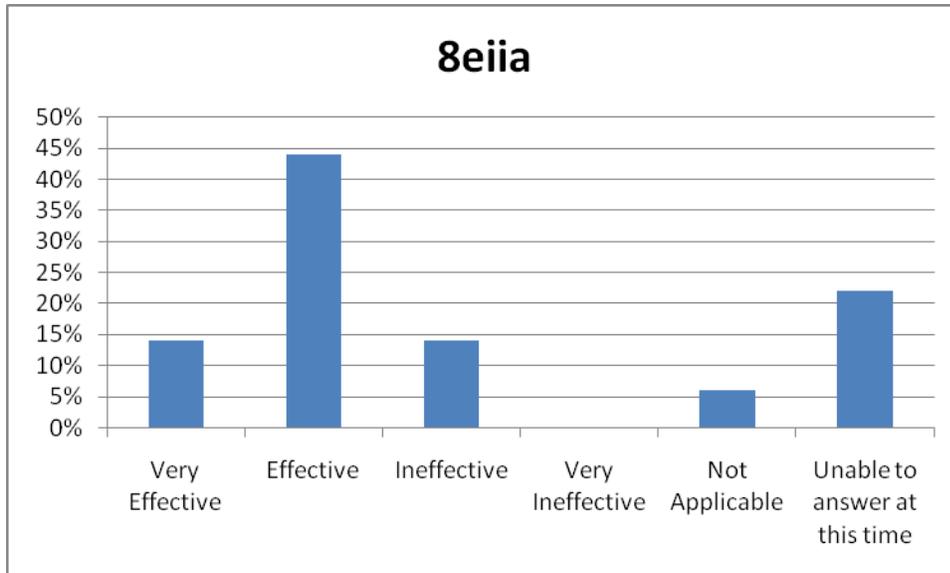
In a previous report issued in response to section 8.d.ii of the Executive Order, DAS estimated the printing and mail preparation savings at \$5.3 million for the FY10-11 biennium. Because of the centralization, DAS has proposed rate decreases in FY10 ranging from 7.7% for color copying to 12.5% for mainframe printing.

Recommendation: Review tactics and/or execution. This strategy should be continued and DAS should continue its work with agencies to transition printing and mail services to a center-led structure.

**Information Technology Reductions (8.e.ii.a.)**

*Reduce the cost of IT for state government through the adoption of common hardware, software, services and security. Note: Guidance is provided in the Release and Permit procedures.*

Agency responses to the question of effectiveness:



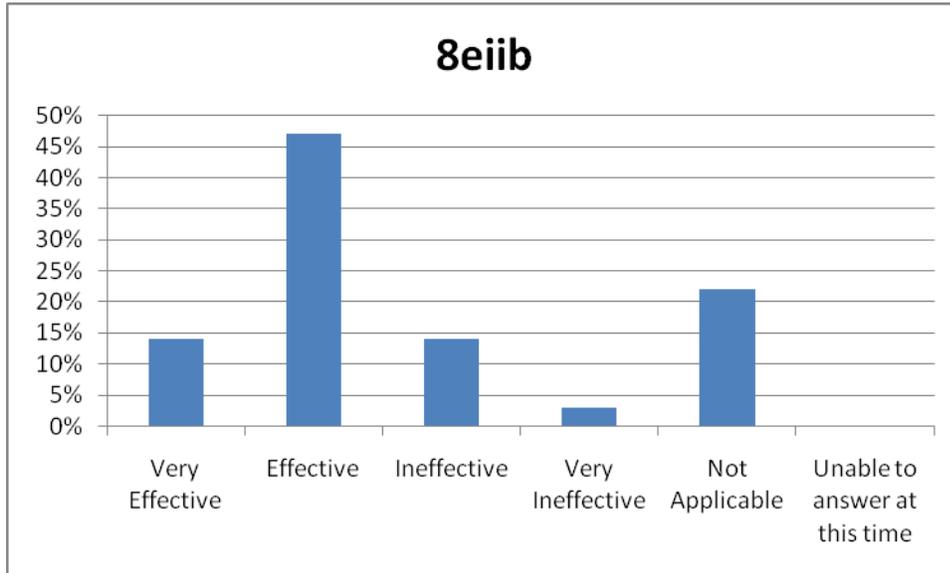
Summary: Agencies were asked to provide their perspectives with the strategy to reduce IT costs through the use of common hardware, software, services and security. Agencies responses indicate that 58% find this strategy effective while 14% find if ineffective. This strategy elicited many comments from agencies. Several of the comments indicated their understanding of enterprise coordination. They provided suggestions such as gathering their specific IT requirements to better identify cost-savings opportunities and organizing an annual hardware purchases for one bulk state purchase. It was also noted that due to the nature of large IT initiatives, savings may not materialize until FY12-13. It was also mentioned that DAS will need to be impartial and objective regarding the implementation and evaluation of the outcomes of this strategy. A comment was also made that some agencies must maintain local control and storage of data records due to client privacy laws and ethical obligations imposed.

Recommendation: Allow time to observe and reassess. This strategy should be continued and progress reported as advances are realized. DAS has convened a multi-agency information technology committee which has established both a centralized strategic sourcing roadmap of centralized purchasing opportunities to pursue and an expansion of the state's body of technical standards, both of which will drive down costs. Specific working groups are convening to develop specific standards and cost reduction plans by topic.

**Information Technology Reductions (8.e.ii.b.)**

*Reduce the use of Blackberries and other mobile and handheld computing and telecommunications devices which cannot be appropriately justified.*

Agency responses to the question of effectiveness:



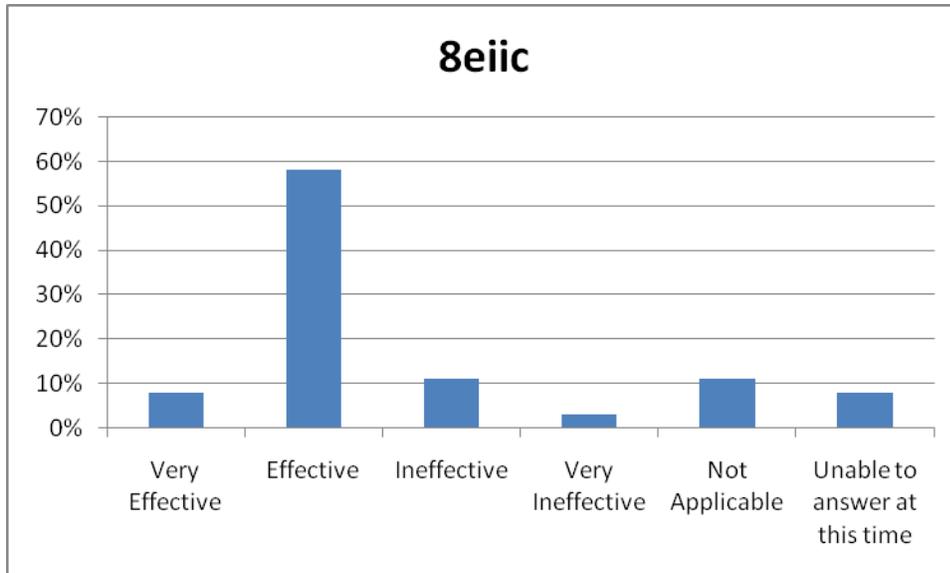
Summary: Agencies were asked to provide their perspectives on the strategy that requires a reduction in the use of mobile devices which cannot be justified. Of the responding agencies, 61% deemed this an effective strategy while 17% deemed it ineffective in garnering additional savings. Comments from agencies indicate that reductions in mobile devices has occurred as several agencies had previously analyzed use of assigned Blackberries and phones while others conducted reviews after the issuance of the Executive Order. It was also suggested that a statewide plan(s) be explored to consider the pooling of minutes and standardization of devices to negotiate pricing based on that standardization and quantity.

Recommendation: Continue this strategy. Agencies should reference IT Policy H.2 – *Use of State Telephones* for requirements for the use of wired and wireless state telephone service and IT Policy B.9 – *Portable Computing Security* for additional guidance for portable computing devices.

**Information Technology Reductions – Delay Acquisition (8.e.ii.c.)**

*Delay acquisition of new IT systems or projects and extend the service life of IT systems where practicable.*

Agency responses to the question of effectiveness:



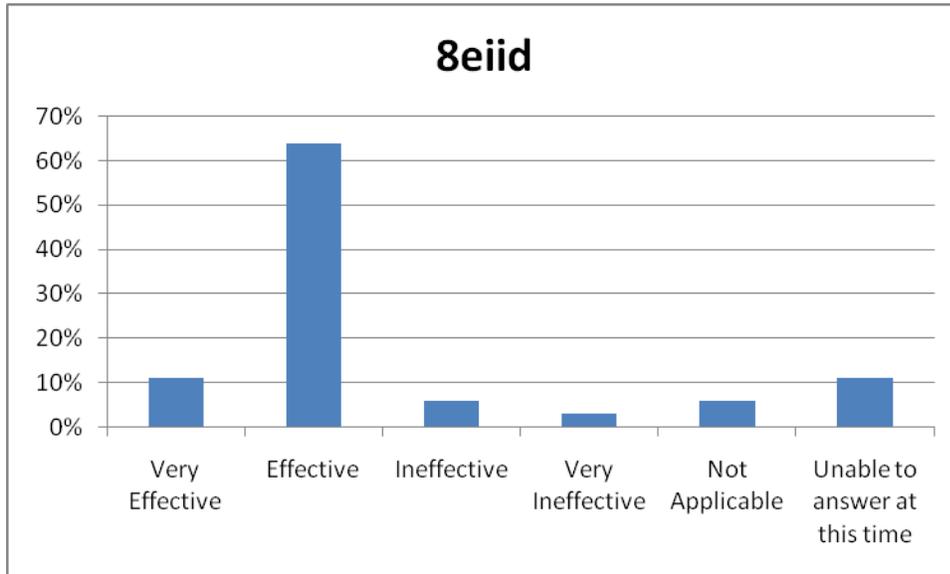
Summary: This survey question sought agency feedback with regard to delaying the purchase of new IT systems and extending the lives of these systems. Of the responding agencies, 66% found it to be effective while 14% found it ineffective. While responses were positive regarding the effectiveness of this cost-savings strategy, several agencies were quick to point out that delaying the scheduled replacement of aging hardware and software could result in higher maintenance costs, unscheduled repairs and potential service outages to customers.

Recommendation: Continue this strategy. Agencies should consider the impact of this strategy in the process of making a business decision to delay scheduled maintenance or replacement of equipment. This is not a “required” strategy but suggested for implementation where practicable.

**Information Technology Reductions – Electronic Records (8.e.ii.d.)**

*Reduce computer printing and increase use of electronic records.*

Agency responses to the question of effectiveness:



Summary: This survey question sought agencies’ feedback regarding the cost-savings strategy to reduce computer printing and increase the use of electronic records. Agencies’ responses to this survey question indicated that 75% deemed this an effective strategy in reducing costs while 9% deemed it ineffective. Comments from agencies indicate their continued movement toward using electronic records over paper records. A comment was made that agencies are constrained to purchase the technology needed to accurately scan, store, search and retrieve electronic records due to the spending controls on equipment. A comment was also made that the cost-per-copy program has helped reduce printing costs in addition to encouraging the use of electronic records. A suggestion was also provided that indicated that this strategy could be more effective if statewide, defined standards were established for copying and printing as well as electronic records.

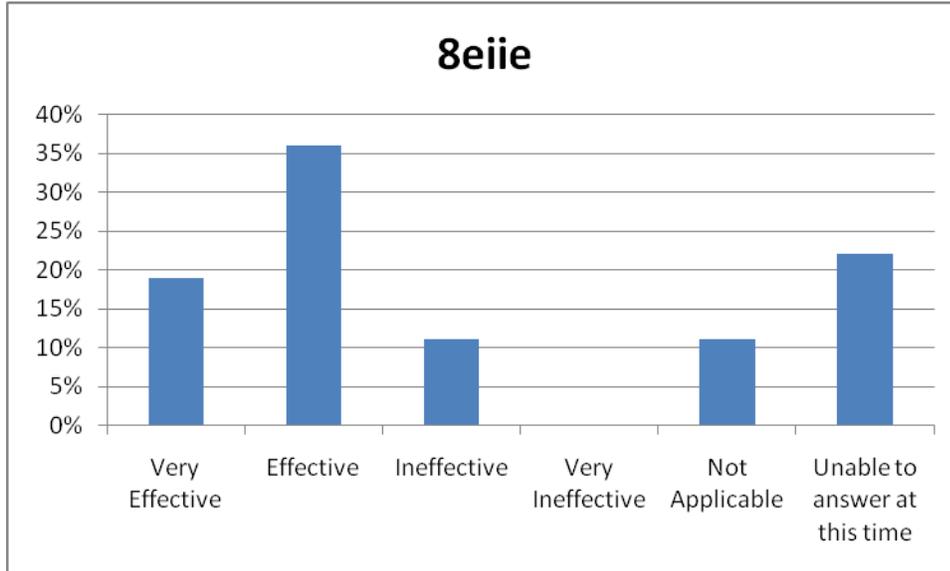
Recommendation: Continue this strategy. Agencies should reference IT Standard - PLF-03 *Printer Total Cost of Ownership*. This state IT standard establishes that the approximate total cost of ownership (TCO) be determined among new printers considered for procurement and that the lowest TCO be a primary deciding factor in purchase selection.

$$Printer\ TCO = Printer\ Cost + Warranty\ Cost + Cost\ of\ Consumables$$

## Information Technology Reductions – Energy Consumption (8.e.ii.e.)

*Reduce the cost of IT for state government through the reduction of energy consumption.*

### Agency responses to the question of effectiveness



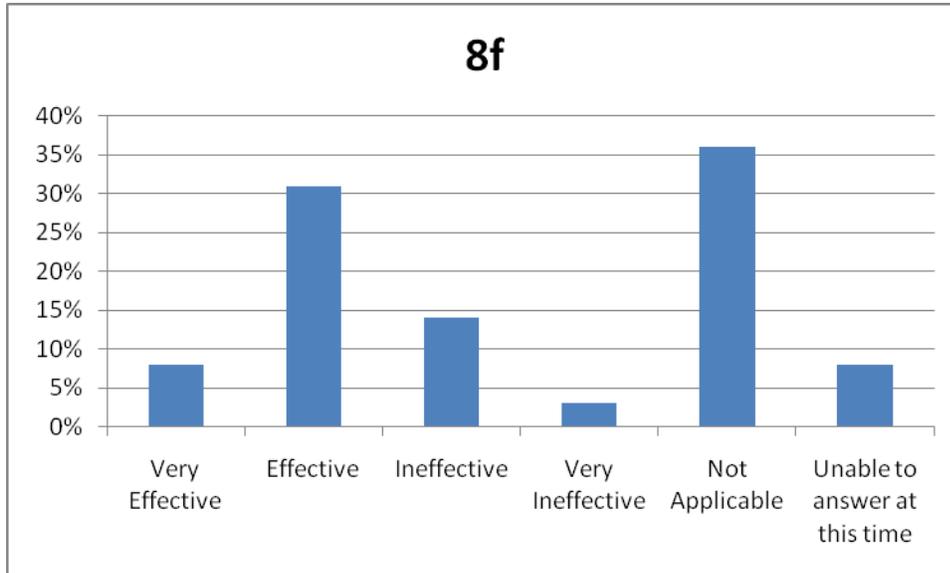
**Summary:** This question sought agencies' perspectives on the strategy to reduce IT costs through the reduction of energy consumption. The survey responses revealed that 55% of the agencies deemed this a cost-effective strategy. Note: many agencies may not directly realize benefits from their IT energy strategies as they occupy leases spaces; this may explain why 11% of agencies deemed it as an ineffective strategy and a combined 33% deemed it as not applicable or unable to answer. Comments from agencies indicate that their IT offices understand the prospect of IT-based energy savings and are making notable advances to reduce said costs. Common cost-savings themes include server consolidation and virtualization and the shutdown of employee computers during non-work hours. One agency indicated that their efforts had reduced power consumption by approximately 25-30%. Another agency indicated that its plan to install a dedicated cooling system in its server room will enable HVAC costs for the building to be significantly reduced at night and on weekends. Agencies listed other cost-saving ideas that will be shared with agency CIOs.

**Recommendation:** Allow time to observe and reassess. This strategy should be continued and progress should be reported as advances are realized. DAS has launched a statewide server consolidation initiative that when fully implemented is projected to save the state 40-50% in administration costs across the statewide fleet of servers by reducing power, maintenance, and hardware costs. Additional strategies are in development that may also reduce energy consumption.

### Employee Parking Expenses (8.f.)

*Reduce parking expenses, including parking expenses for purchased and lease-included spaces for individual employees, space for fleet vehicles, spaces for agency employees on agency business and parking reimbursement for those attending meetings. This analysis shall also include a review of any loss in efficiencies or other agency benefits resulting from such cost saving opportunities.*

Agency responses to the question of effectiveness:



Summary: This question sought agency feedback regarding the strategy to reduce parking expenses for purchased and lease-included spaces, including parking reimbursement for those attending meetings. The survey responses revealed that 39% of the agencies deemed this a cost-effective strategy, 17% deemed it ineffective and a combined 44% deemed it not applicable or unable to answer. Comments indicate that agencies have taken steps to reduce parking expenses where possible. Comments also indicate that state agencies with fleet vehicles are avoiding costs by parking those vehicles on the grounds of another state agency. For example, ODOT has offered free parking to other state agencies at its West Broad Street complex, saving another agency \$91,600 in lease costs and parking fees. It was also noted that the increased and continued use of teleconferencing and webinars and making these services easily available to agencies will provide savings in travel expenses and parking reimbursements.

Recommendation: Continue this strategy.

## **Additional cost-saving strategies of agencies, boards and commissions**

At the end of the survey, agencies were asked to share cost-saving strategies not included in Executive Order 2009-07S that they've utilized to help meet their agencies' reductions for Fiscal Years 10 and 11. Agencies provided a total of 78 strategies found to be effective. Although the strategies varied widely, there were several notable strategies and/or recurring themes:

- Reduced lease costs by assessing space needs, consolidating space or renegotiating rates
- Reduced printing and mailing costs for agendas, pre-meeting documents, newsletters, etc. and replaced with electronic posting on Web sites and e-mail notifications
- Reduced copying costs through use of double-sided copying and limiting color copies
- Reduced payroll costs by delaying or not filling vacancies
- Reduced costs to GRF by shifting costs to non-GRF sources
- Reduced travel reimbursements by holding fewer board meetings
- Reduced costs by evaluating and reducing phone lines, IT accounts, subscriptions, etc.
- Reduced costs by discontinuing annual maintenance agreements on fax machines
- Reduced costs of inkjet cartridges by removing inkjet printers and standardizing use of network printers
- Reduced facilities' energy costs through energy-based improvements

DAS and OBM will organize the 78 strategies and will share the list with the agencies, boards and commissions.

## **II. Agency Spending for Expense Categories 510, 520 and 530**

This section of the report contains actual spend data for agencies, boards and commissions for the first quarter of Fiscal Year 2010 (includes July 1 through Sept. 30, 2009). The report shows a combined sum of the three expense categories affected by the executive order: agency contracts (510), maintenance (520), and equipment (530) categories. We've also included the same data for FY09 to show the comparison in spending by agencies between the two fiscal years.

**FY 2009 v. FY 2010 Q1 Spending by Agency - Contracts, Maintenance, and Equipment**

Agency	Agency	FY 2009	FY 2010	Q1 Diff. between FY09 and FY10	Percent Change
ACC	Accountancy Board	\$ 49,227.06	\$ 60,443.74	\$ 11,216.68	22.8%
ADA	Alcohol and Drug Addiction Services	\$ 303,741.79	\$ 256,701.39	\$ (47,040.40)	-15.5%
ADJ	Adjutant General	\$ 3,133,591.47	\$ 3,261,258.70	\$ 127,667.23	4.1%
AFC	Cultural Facilities Commission	\$ 100,696.51	\$ 90,335.20	\$ (10,361.31)	-10.3%
AGE	Aging	\$ 842,769.58	\$ 566,022.77	\$ (276,746.81)	-32.8%
AGO	Attorney General	\$ 10,784,525.27	\$ 8,806,091.11	\$ (1,978,434.16)	-18.3%
AGR	Agriculture	\$ 2,131,453.91	\$ 2,708,627.80	\$ 577,173.89	27.1%
AIR	Air Quality Development Authority	\$ 16,012.25	\$ 2,601.58	\$ (13,410.67)	-83.8%
AMB	Medical Transportation Board	\$ 72,342.50	\$ 61,989.21	\$ (10,353.29)	-14.3%
ARC	Architects Board	\$ 14,143.03	\$ 5,185.83	\$ (8,957.20)	-63.3%
ART	Arts Council	\$ 162,951.06	\$ 93,104.90	\$ (69,846.16)	-42.9%
ATH	Athletic Commission	\$ 7,648.59	\$ 8,020.31	\$ 371.72	4.9%
AUD	Auditor of State	\$ 2,155,149.89	\$ 2,031,293.78	\$ (123,856.11)	-5.7%
BDP	Board of Deposit	\$ 90,670.19	\$ 98,528.16	\$ 7,857.97	8.7%
BOR	Board of Regents	\$ 899,982.91	\$ 1,047,661.99	\$ 147,679.08	16.4%
BRB	Barber Board	\$ 18,002.74	\$ 20,295.25	\$ 2,292.51	12.7%
BTA	Board of Tax Appeals	\$ 26,559.68	\$ 7,310.99	\$ (19,248.69)	-72.5%
BWC	Bureau of Workers' Compensation	\$ 13,492,379.90	\$ 11,088,064.46	\$ (2,404,315.44)	-17.8%
CDP	Chemical Dependency Professionals Board	\$ 37,632.06	\$ 27,917.73	\$ (9,714.33)	-25.8%
CDR	Commission on Dispute Resolution	\$ 8,111.96	\$ 4,374.61	\$ (3,737.35)	-46.1%
CHR	Chiropractic Board	\$ 9,581.33	\$ 7,446.50	\$ (2,134.83)	-22.3%
CIV	Civil Rights Commission	\$ 175,388.63	\$ 134,583.28	\$ (40,805.35)	-23.3%
CLA	Court of Claims	\$ 83,993.64	\$ 81,359.44	\$ (2,634.20)	-3.1%
COM	Commerce	\$ 17,717,441.35	\$ 12,926,952.66	\$ (4,790,488.69)	-27.0%
COS	Cosmetology Board	\$ 74,681.86	\$ 136,925.92	\$ 62,244.06	83.3%
CRB	Motor Vehicle Collision Repair Registration Board	\$ (394.64)	\$ 12,355.94	\$ 12,750.58	-3230.9%
CSF	Commissioners of the Sinking Fund	\$ 203,400.86	\$ -	\$ (203,400.86)	-100.0%
CSR	Capital Square Review and Advisory Board	\$ 544,937.21	\$ 430,305.50	\$ (114,631.71)	-21.0%
CSW	Counselor, Social Worker, Marriage&Family Therapist Bd	\$ 48,040.67	\$ 43,419.68	\$ (4,620.99)	-9.6%
DAS	Administrative Services	\$ 28,415,972.66	\$ 39,075,376.79	\$ 10,659,404.13	37.5%
DEN	Dental Board	\$ 133,569.48	\$ 70,520.34	\$ (63,049.14)	-47.2%
DEV	Development	\$ 2,870,073.18	\$ 2,408,713.51	\$ (461,359.67)	-16.1%
DMH	Mental Health	\$ 26,772,403.73	\$ 25,968,676.42	\$ (803,727.31)	-3.0%
DMR	Developmental Disabilities	\$ 7,804,162.79	\$ 6,291,401.31	\$ (1,512,761.48)	-19.4%
DNR	Natural Resources	\$ 12,052,958.81	\$ 10,033,362.39	\$ (2,019,596.42)	-16.8%
DOH	Health	\$ 25,245,816.09	\$ 17,041,972.50	\$ (8,203,843.59)	-32.5%
DOT	Transportation	\$ 28,377,932.44	\$ 21,755,535.66	\$ (6,622,396.78)	-23.3%
DPS	Public Safety	\$ 19,156,937.75	\$ 19,012,232.61	\$ (144,705.14)	-0.8%
DRC	Rehabilitation and Correction	\$ 159,344,858.68	\$ 103,299,131.45	\$ (56,045,727.23)	-35.2%
DVM	Veterinary Medical Board	\$ 13,998.14	\$ 10,608.93	\$ (3,389.21)	-24.2%
DVS	Veterans Services	\$ 900,458.80	\$ 1,939,569.12	\$ 1,039,110.32	115.4%
DYS	Youth Services	\$ 8,525,558.93	\$ 6,644,759.61	\$ (1,880,799.32)	-22.1%
EBR	Environmental Review Appeals Commission	\$ 18,903.44	\$ 17,704.02	\$ (1,199.42)	-6.3%
EDU	Education	\$ 6,397,671.62	\$ 6,562,349.24	\$ 164,677.62	2.6%
ELC	Elections Commission	\$ 34,580.03	\$ 34,126.69	\$ (453.34)	-1.3%
ENG	Engineers and Surveyors Board	\$ 24,486.66	\$ 45,536.65	\$ 21,049.99	86.0%
EPA	Environmental Protection Agency	\$ 19,245,828.03	\$ 15,134,339.17	\$ (4,111,488.86)	-21.4%
ERB	Employment Relations Board	\$ 130,069.40	\$ 108,251.27	\$ (21,818.13)	-16.8%
ETC	eTech Ohio Commission	\$ 1,104,038.75	\$ 516,031.48	\$ (588,007.27)	-53.3%
ETH	Ethics Commission	\$ 53,515.09	\$ 42,433.02	\$ (11,082.07)	-20.7%
EXP	Expositions Commission	\$ 3,075,761.11	\$ 4,584,034.35	\$ 1,508,273.24	49.0%
FUN	Embalmers and Funeral Directors Board	\$ 20,887.53	\$ 21,613.56	\$ 726.03	3.5%
GOV	Governor	\$ 33,060.16	\$ 31,366.14	\$ (1,694.02)	-5.1%
HEF	Higher Educational Facility Commission	\$ 738.56	\$ 3,969.47	\$ 3,230.91	437.5%
IGO	Inspector General	\$ 30,883.96	\$ 32,005.80	\$ 1,121.84	3.6%
INS	Insurance	\$ 2,497,494.68	\$ 1,044,249.55	\$ (1,453,245.13)	-58.2%
JCO	Judicial Conference of Ohio	\$ 60,043.42	\$ 57,306.39	\$ (2,737.03)	-4.6%
JCR	Joint Committee on Agency Rule Review	\$ 6,694.60	\$ 4,817.46	\$ (1,877.14)	-28.0%

Agency	Agency	FY 2009	FY 2010	Q1 Diff. between FY09 and FY10	Percent Change
JFS	Job and Family Services	\$ 61,541,358.73	\$ 43,087,275.87	\$ (18,454,082.86)	-30.0%
JLE	Joint Legislative Ethics Committee	\$ 12,109.62	\$ 25,451.60	\$ 13,341.98	110.2%
JSC	Judiciary/Supreme Court	\$ 2,384,564.95	\$ 1,881,679.89	\$ (502,885.06)	-21.1%
LCO	Liquor Control Commission	\$ 43,954.92	\$ 39,930.35	\$ (4,024.57)	-9.2%
LEC	Lake Erie Commission	\$ 28,317.05	\$ 3,990.92	\$ (24,326.13)	-85.9%
LIB	Library Board	\$ 2,747,008.15	\$ 2,771,735.89	\$ 24,727.74	0.9%
LOT	Lottery Commission	\$ 75,437,857.80	\$ 72,052,316.41	\$ (3,385,541.39)	-4.5%
LRS	Legal Rights Services	\$ 110,687.53	\$ 157,178.87	\$ 46,491.34	42.0%
LSC	Legislative Service Commission	\$ 352,488.55	\$ 170,396.65	\$ (182,091.90)	-51.7%
MED	Medical Board	\$ 392,120.26	\$ 317,277.92	\$ (74,842.34)	-19.1%
MHC	Manufactured Homes Commission	\$ 796.28	\$ 18,377.85	\$ 17,581.57	2208.0%
MIH	Commission on Minority Health	\$ 12,668.41	\$ 10,086.74	\$ (2,581.67)	-20.4%
NUR	Nursing Board	\$ 205,682.22	\$ 342,290.77	\$ 136,608.55	66.4%
OBD	Dietetics Board	\$ 6,264.21	\$ 10,602.08	\$ 4,337.87	69.2%
OBM	Budget and Management	\$ 365,976.32	\$ 3,269,068.06	\$ 2,903,091.74	793.2%
OCC	Consumers' Counsel	\$ 326,364.85	\$ 238,231.62	\$ (88,133.23)	-27.0%
ODB	Optical Dispensers Board	\$ 2,408.23	\$ 1,487.98	\$ (920.25)	-38.2%
OIC	Industrial Commission	\$ 3,432,191.69	\$ 2,297,813.85	\$ (1,134,377.84)	-33.1%
OPP	Orthotics, Prosthetics, and Pedorthics Board	\$ 970.00	\$ 582.79	\$ (387.21)	-39.9%
OPT	Optometry Board	\$ 3,736.15	\$ 8,563.24	\$ 4,827.09	129.2%
OSB	School for the Blind	\$ 189,120.77	\$ 441,511.00	\$ 252,390.23	133.5%
OSD	School for the Deaf	\$ 196,621.67	\$ 128,897.25	\$ (67,724.42)	-34.4%
OVH	Veterans Home	\$ 1,151,495.02	\$ -	\$ (1,151,495.02)	-100.0%
PAY	Employee Benefits Funds	\$ 2,934,647.72	\$ 2,891,008.22	\$ (43,639.50)	-1.5%
PBR	Personnel Board of Review	\$ 25,193.54	\$ -	\$ (25,193.54)	-100.0%
PRX	Pharmacy Board	\$ 211,589.39	\$ 130,717.59	\$ (80,871.80)	-38.2%
PSY	Psychology Board	\$ 19,774.37	\$ 16,520.78	\$ (3,253.59)	-16.5%
PUB	Public Defender Commission	\$ 612,882.68	\$ 618,297.75	\$ 5,415.07	0.9%
PUC	Public Utilities Commission	\$ 2,137,000.02	\$ 2,106,910.63	\$ (30,089.39)	-1.4%
PWC	Public Works Commission	\$ 27,049.73	\$ 28,033.46	\$ 983.73	3.6%
PYT	Occupational Therapy, Physical Therapy, Athletic Trainer Bd	\$ 3,472.06	\$ 19,672.58	\$ 16,200.52	466.6%
RAC	Racing Commission	\$ 801,584.79	\$ 737,075.34	\$ (64,509.45)	-8.0%
RCB	Respiratory Care Board	\$ 13,718.48	\$ 10,828.78	\$ (2,889.70)	-21.1%
REP	House of Representatives	\$ 268,747.80	\$ 417,814.18	\$ 149,066.38	55.5%
RSC	Rehabilitation Services Commission	\$ 7,536,770.81	\$ 6,718,266.03	\$ (818,504.78)	-10.9%
SAN	Sanitarian Registration Board	\$ 3,970.80	\$ 1,952.99	\$ (2,017.81)	-50.8%
SCR	Career Colleges and Schools Board	\$ 33,746.04	\$ 33,385.86	\$ (360.18)	-1.1%
SEN	Senate	\$ 111,108.83	\$ 96,117.70	\$ (14,991.13)	-13.5%
SFC	School Facilities Commission	\$ 379,774.19	\$ 328,820.34	\$ (50,953.85)	-13.4%
SOS	Secretary of State	\$ 1,496,243.91	\$ 1,026,646.84	\$ (469,597.07)	-31.4%
SPA	Commission on Hispanic/Latino Affairs	\$ 32,570.14	\$ 14,453.53	\$ (18,116.61)	-55.6%
SPE	Speech-Language Pathology and Audiology Board	\$ 11,936.53	\$ 28,005.53	\$ 16,069.00	134.6%
TAX	Taxation	\$ 6,150,542.00	\$ 6,352,743.72	\$ 202,201.72	3.3%
TOS	Treasurer of State	\$ 438,927.11	\$ 309,106.83	\$ (129,820.28)	-29.6%
TTA	Tuition Trust Authority	\$ 743,620.50	\$ 377,434.18	\$ (366,186.32)	-49.2%
<b>Grand Total</b>		<b>\$ 578,493,656.60</b>	<b>\$ 475,349,733.79</b>	<b>\$ (103,143,922.81)</b>	<b>-17.8%</b>

Prepared Oct. 30, 2009

### **III. CONCLUSION**

The summary data, showing a 17.8% reduction in expense spending in this first fiscal quarter as compared to the first quarter of Fiscal Year 2009, supports the continued implementation of Executive Order 2009-07S. In addition, the survey results summarized in this report have provided insight into the usefulness and effectiveness of the 20 strategies contained in the Order. The results indicate that although the strategies are effective in helping agencies to reduce spending, some strategies may warrant adjustments for use. DAS and OBM will undertake reviews of several strategies to affirm their effectiveness in reducing costs and to assess that they are achievable by the agencies. Our reviews will focus on the existing tactics used to accomplish these strategies and will identify where additional support for agencies may be needed.

The next report, due January 31, 2010, will include agency spending data for the first six months of fiscal year 2010. The comparable period of time from Fiscal Year 2009 will also be provided to show the variance in spending between the two fiscal time periods. Also highlighted in the next report will be strategies that continue to garner savings as well as updates on the strategies that DAS and OBM continue to develop to support agencies in better utilizing the strategies. The report will also summarize the above-referenced reviews of several strategies.