



STATE OF ALABAMA

THE GOVERNOR'S COST CONTROL SURVEY

Study and Recommendations



THE GOVERNOR'S COST CONTROL SURVEY

Study and Recommendations

Copyright, August 1972 by the Governor's Cost Control Survey, Inc. No part of this report may be reproduced in any manner without written permission. Price \$25.



GOVERNOR'S COST CONTROL SURVEY, Inc.
P.O. Box 23, Montgomery, Ala., 36101. 269-7856
(A Non-Political, Non-Profit Organization)

September 1972

The Honorable George C. Wallace
Governor of Alabama
State Capitol
Montgomery, Alabama

Dear Governor Wallace:

The Governor's Cost Control Survey is pleased to present to you its findings and recommendations. This report is the result of a 12-week study and evaluation of government operations in Alabama as authorized by your Executive Order dated November 2, 1971.

We believe that the proposals contained in this report are based on sound executive judgment and represent the views of dedicated, experienced businessmen. Our sole objective was to carry out your mandate to provide a means of improving the effectiveness and economy of Alabama's government.

To do so, the task force has carefully analyzed and evaluated agency and department operations, using proven management techniques. Thus, the recommendations made are based on research coupled with experience. However, we feel that an ongoing program of self-evaluation must also be established if the citizens of the state are to benefit fully by more efficient government.

The members of the study consider it an honor to have participated in this important project. We sincerely hope that our efforts will contribute significantly to improving management effectiveness in Alabama state government.

Respectfully,

E. L. Lowder
Chairman

MR. ED L. LOWDER, CHAIRMAN
MR. HARRY B. BROCK, JR., PRESIDENT
MR. BEN BROWN, VICE PRESIDENT

MR. DICK MCGOWEN, VICE CHAIRMAN
MR. BILL THRASH, SECRETARY
MR. WALLACE MALONE, JR., TREASURER

Executive Order

WHEREAS, the cost of state government has increased and the services by state government have multiplied in recent years; and

WHEREAS, it is vital to the economic health and prosperity of the State of Alabama that its governmental and administrative services be conducted on a sound, prudent, efficient, and economical basis and that the people of this state be assured of the wise expenditure of their tax dollars; and

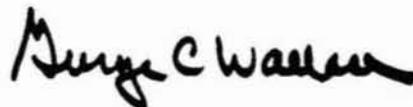
WHEREAS, prominent and outstanding leaders of business, industry, and labor in this state have gratuitously volunteered assistance in performing a detailed and comprehensive examination of the administration of these state services preparatory to a reorganization of the services and fiscal procedures of state government.

NOW, THEREFORE, I, George C. Wallace, Governor of the State of Alabama, under and by virtue of the authority vested in me by law, do hereby create and establish The Governor's Cost Control Survey (hereinafter referred to as survey), and authorize the formation of a not-for-profit corporation with appropriate powers and authority to supervise, control, and direct the survey in carrying out the intent of this Executive Order. To assist in this undertaking, I further authorize the survey to select and retain Warren King and Associates as consultants to the survey, hereby authorizing and empowering them to make such studies and investigations as they may consider necessary to ascertain the means, methods, and manner by and in which the services of the State of Alabama may be afforded to its citizens in the most efficient, expeditious, and economical manner, and to that end, further authorizing and empowering them to select and retain as their agents and assistants such executives and experts from business, industry, and labor as are skilled in the conduct of private enterprise, all at no cost to the State of Alabama.

IN FURTHERANCE WHEREOF, I charge every officer and employee of this state to furnish to said survey and its representatives full and complete information concerning their respective departments, divisions, agencies, bureaus, boards, and commissions or other official branches of state government, and to give to the survey and its agents every assistance in the performance of their duties; and

UPON COMPLETION OF ITS WORK, The Governor's Cost Control Survey shall render to me a full report of its findings and such recommendations as said survey shall deem appropriate in the premises.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Alabama to be affixed at Montgomery on this 2nd day of November, in the year of our Lord one thousand nine hundred and seventy-one.



GEORGE C. WALLACE
Governor of Alabama

GOVERNOR'S COST CONTROL SURVEY, INC.

EXECUTIVE COMMITTEE

Ed L. Lowder	Chairman
N. E. Dick McGowen	Vice Chairman
Harry B. Brock, Jr.	President and Director of Manpower
Ben B. Brown	Vice President
Bill Thrash	Secretary
Wallace Malone, Jr.	Treasurer and Director of Finance

OPERATING COMMITTEE

Hugh P. Foreman
John Reid Giles, Jr.

Carl T. Happer, Jr.
James R. Harrell
Vernon G. Rezendes

Sanders Rowland
Robert E. Strain

STAFF CONSULTANTS

Warren King and Associates, Inc.

STUDY TEAM MEMBERS

George H. Anderson
Harry E. Anschutz, Jr.
Robertson L. Belden
Bruce W. Beyer
Robert J. Blackwell
Daniel L. Boone
Richard I. Carlisle
J. Marvin Carroll
M. B. Cazalas
James H. Chenery
George R. Digby
Raymond L. Dunnington
Thomas H. Gachet

Carl F. Grimes
F. E. Haas
Walter L. Hovell
Hubert J. Kessler
Charles C. Kenworthy, Jr.
Christopher M. Krebs
Ben H. Lancaster, Jr.
Roland V. Lee, Jr.
C. R. Levenhagen
Samuel L. Maury
S. F. Murphy
Victor E. Nichol, Sr.

Thomas H. Payne
Erwin H. Petty
Edward Braxton Pitts, Jr.
Wayne F. Plant, Jr.
Frank E. Prendergast
Quentin C. Roché
Donald W. Rowe
J. Graham Sanford
Benjamin M. Schlusel
William B. Speir
James C. Stephenson
Joel D. Warren
John E. Wilks, Jr.

SPECIAL ASSISTANTS

Ed Dempsey
Gerald McGill

Robert P. Rush
Claude H. Small
LeRoy H. Spiker

E. T. Wallace
Richard B. White

OFFICE MANAGER

Mrs. Janie L. Gass

Introduction

On November 22, 1971, Governor George C. Wallace met with 30 of Alabama's leading business, industrial, and labor executives to propose a plan to improve the efficiency and economy of state government. He stressed an urgent need to bring the rising cost of providing necessary services to the citizens of Alabama under control. Among the trends Governor Wallace referred to was the fact that, from 1960 to 1970, state expenditures and the number of government employees rose 154.5% and 110% although Alabama's population grew by only 5.4%. These statistics are illustrated in the table to the right.

The Governor proposed that the private sector form a nonprofit corporation to support a study of Alabama's government operations, using modern business techniques and management expertise. The primary purpose would be to determine what actions should be taken to provide better, more economical service to the people.

The executives at this meeting voted unanimously to support the plan and proceeded to organize the Governor's Cost Control Survey, Inc. Officers were elected and activities initiated to secure needed manpower, facilities, and financial assistance. Coordination of the project was provided by Warren King and Associates.

As a result, 47 full-time executives were provided by Alabama's private sector to man the survey task force. These men were divided into seven study teams with one executive designated as a team leader. Teams were assigned specific areas of state government to review and analyze. In addition to his responsibility for the team's performance, the team leader also served as a member of the Operating Committee. This group consisted of the task force chairman, vice chairman, and the seven study team leaders. Their purpose was to evaluate the findings submitted by the individual study teams. All of the recommendations in this report have the unanimous support and approval of the Operating Committee.

Prior to this study, there had been no formal evaluation of the management practices in Alabama's government operations for several decades. As a result, the review found operational techniques and methods which were outdated, inefficient, and expensive. As the state's govern-

	1960	1970	PER CENT INCREASE OVER 1960
Population	3,266,740	3,444,165	5.4
Average Per-Capita Income	\$1,489	\$2,853	91.6
State Employees	20,243	42,519	110.0
Total State Expenditure	\$612,505,477	\$1,558,783,707	154.5
Per-Capita Expenditure	\$188	\$453	141.0

ment has grown, increasing duplication has developed through random addition of agencies.

The initial goal of this project was to render a report on each Executive Branch agency as well as those constitutional offices which wished to participate. All of these operations have been visited by the study teams and evaluated. However, the following agencies have been excluded from the report because significant recommendations were not developed: State Employees' Insurance Board, Board of Adjustment, Law Enforcement Planning Board, Board of Compromise, Civil Air Patrol, Securities Commission, Toxicology and Criminal Investigation, Tennessee-Tombigbee Waterway, Development Authority, and Air Pollution Control Board.

This report is but a summary of the detail contained in the permanent files of The Governor's Cost Control Survey. The scope of the survey is confined to a review of the present state organization with emphasis on the efficiency with which assigned tasks are performed. Therefore, recommendations are made — not about the value of the services rendered — but with regard to the manner in which state resources are applied in furnishing these services. The primary concern has been to conserve state resources.

In the survey's quest for increased management effectiveness, it became apparent from a business viewpoint that many opportunities existed for appropriate recovery of costs for services rendered. These income-oriented recommendations are not presented as new sources of revenue but as means for financing specialized services from sources other than the state's taxing system. Claims for savings in personnel costs include fringe benefit calculations as well as salaries.

A substantial number of the 639 recommendations contained in this report have already been implemented by agency and department officials.

Of these proposals, 82% will require executive action. Others must be accomplished through legislative changes. Since the overall benefit to the state will be substantial, The Governor's Cost Control Survey is confident that the Governor, the Legislature, and the various agency officials will share the concern and enthusiasm of the study's task force. An analysis of the potential benefits to be realized through implementation is shown in the table below.

ANALYSIS OF POTENTIAL BENEFITS		
	Annual Recurring	One-Time Nonrecurring
Savings	\$84,941,300	\$14,105,100
Income	27,327,300	8,294,000
Cost	4,948,800	4,793,200

It is not the intent of the study to impose hardships on state personnel whose present functions are deemed unnecessary. However, visits to various state agencies and departments have shown that, in many cases, as much as 25% of the average worker's time is spent in nonproductive activities. Correction of this situation must be given priority and a talent inventory of state employees developed. Thus, when a position is eliminated or consolidated with another, the surplus employee could be transferred to a position for which he is qualified. Within two years, turnover should eliminate the problem.

This report contains many recommendations which deal with improving management effectiveness. However, many intricate and interrelated problems exist in an organization as complex as state government. Isolating all of them to provide solutions was impossible. Therefore, increased emphasis must be placed on the selection, training, and motivation of all levels of department and agency management. An approach of continuous self-study should eliminate a majority of the difficulties which exist at this time.

Several proposals have been made in regard to state-owned lands. A comprehensive study is needed to determine the optimum uses for these valuable properties. Expert projections regarding the future of natural resources, particularly gas and oil, should encourage the state to retain certain land holdings. In addition, action should be taken to ensure that Alabama will realize a greater return on the lands it possesses. During the next 15 to 25 years, revenues from proper leasing arrangements could be a major factor in improving the state's economy.

Although The Governor's Cost Control Survey did not attempt to evaluate the broad social, political, and economic forces within the state, some comments on specific areas appear appropriate. For example, the development of a deep sea port in Mobile Bay should contribute significantly to the state's growth as will development of the Tennessee-Tombigbee Waterway in improving waterway systems and related commerce in Alabama, Mississippi, and Tennessee.

Accelerated completion of the planned interstate highway system and finalization of the proposed Memphis-to-Florida turnpike will benefit both tourism and commerce in the state. Add to this the many potential benefits of an aggressive program for enlightened and diversified use of Alabama's natural resources and the results are exciting to contemplate. However, successful development of these basic concepts will require an expanded, technologically-oriented work force in the state to support an increasingly sophisticated commercial/industrial base.

During the 12 weeks that the task force members devoted to this project, they were able to evaluate major management problems which exist in state government. However, their findings should be considered only a beginning. A continuing program is vital to provide improved efficiency and cost reductions at all government levels, now and in the future. To accomplish this, we feel that a management planning group should be created within the Executive Branch to provide ongoing evaluations of Alabama's operational efficiency. Such an approach should result in still greater savings to the taxpayers of the state.

This introduction to the report is not intended as an all-inclusive criticism of the state's management practices. Rather, its purpose is to point out areas where expanded studies could be productive. In general, Alabama's government is favored with a high percentage of capable, dedicated personnel, particularly in high level positions. Members of The Governor's Cost Control Survey are grateful for the keen interest and outstanding cooperation shown by agency heads and state employees. We realize this study could not have been successful without their continuing support and involvement.

Governor George C. Wallace should be commended for his foresight in authorizing and encouraging this study of government efficiency. We feel all of the people of the state will benefit.

Table of Contents

Section I

Department and Agency Reports

1. Office of the Governor
2. State Auditor
3. Secretary of State
4. State Treasurer
6. Attorney General
7. Public Service Commission
7. Department of Finance
 8. Director's Office
 8. Division of the Budget
10. Division of Control and Accounts
12. Legal Division
13. State Insurance Fund
13. Division of Purchases and Stores
16. Division of Service
19. Personnel Department
24. Department of Examiners of Public Accounts
26. Department of Revenue
29. Building Commission
30. Building Authorities
31. Bureau of Publicity and Information
32. Alabama Development Office
33. Retirement Systems
34. Department of Insurance
37. Department of Labor
37. Department of Industrial Relations
38. Peace Commission
38. Alcoholic Beverage Control Board
41. Department of Veterans Affairs
42. Military Department
43. Board of Corrections
45. Juvenile Correctional Schools
46. Board of Pardons and Paroles
47. Civil Defense Department
47. Department of Public Safety
49. Banking Department
49. Licensing Boards
50. Commission on Higher Education
52. Auburn University
54. Agricultural Experiment Station System
55. Cooperative Extension Service
55. Florence State University
57. Jacksonville State University
58. Livingston State University
59. Troy State University
60. University of Alabama — Birmingham
61. University of Alabama — Huntsville
63. University of Alabama — Tuscaloosa
64. University of Montevallo

65. University of South Alabama
67. Department of Education
 71. Junior Colleges and Trade Schools
73. Alabama A & M University
74. Alabama State University
76. Institute for the Deaf and Blind
76. Educational Television Commission
77. Public Library Service
78. Education Study Commission
79. Department of Public Health
82. Department of Mental Health
86. Department of Pensions and Security
90. Agency for Social Security
91. Commission on Aging
92. Department of Agriculture and Industries
 94. Farmers' Market Authority
 96. Agricultural Center Board
 97. Dairy Commission
 98. Department of Conservation and Natural Resources
101. Forestry Commission
102. Geological Survey
103. Oil and Gas Board
104. Soil and Water Conservation Committee
105. Department of Archives and History
106. Highway Department
 107. Administration
 111. Planning and Programming
 112. Engineering
 114. Construction and Maintenance
 115. Field Divisions
116. Office of Coordinator of Highway and Traffic Safety
117. Department of Aeronautics
117. State Docks Department

Section II

Functional Reports

121. Printing and Publications
122. Motor Vehicle Fleet Management
124. Data Processing
127. Office Space Management
128. Food Service Management
129. Telecommunications
130. Aircraft Fleet Management

Section III

Statewide Reorganization

131. Statewide Reorganization
132. Finance and Administration
132. Human Resources

- 133. Education
- 133. Commerce, Industry, and Natural Resources
- 134. Transportation

Section IV

Digest of Recommendations

- 135. Office of the Governor
- 135. State Auditor
- 135. Secretary of State
- 135. State Treasurer
- 136. Attorney General
- 136. Public Service Commission
- 136. Department of Finance
 - 136. Director's Office
- 137. Division of the Budget
- 137. Division of Control and Accounts
- 138. Legal Division
- 138. State Insurance Fund
- 138. Division of Purchases and Stores
- 140. Division of Service
- 140. Personnel Department
- 141. Department of Examiners of Public Accounts
- 142. Department of Revenue
- 143. Building Commission
- 143. Building Authorities
- 143. Bureau of Publicity and Information
- 144. Alabama Development Office
- 144. Retirement Systems
- 144. Department of Insurance
- 145. Department of Labor
- 145. Department of Industrial Relations
- 145. Peace Commission
- 145. Alcoholic Beverage Control Board
- 146. Department of Veterans Affairs
- 146. Military Department
- 147. Board of Corrections
- 147. Juvenile Correctional Schools
- 148. Board of Pardons and Paroles
- 148. Civil Defense Department
- 148. Department of Public Safety
- 149. Banking Department
- 149. Licensing Boards
- 149. Commission on Higher Education
- 149. Auburn University
- 150. Agricultural Experiment Station System
- 150. Cooperative Extension Service
- 150. Florence State University
- 151. Jacksonville State University
- 151. Livingston State University
- 151. Troy State University
- 152. University of Alabama — Birmingham
- 152. University of Alabama — Huntsville
- 152. University of Alabama — Tuscaloosa
- 153. University of Montevallo

- 153. University of South Alabama
- 154. Department of Education
- 155. Junior Colleges and Trade Schools
- 155. Alabama A & M University
- 156. Alabama State University
- 156. Institute for the Deaf and Blind
- 156. Educational Television Commission
- 157. Public Library Service
- 157. Education Study Commission
- 157. Department of Public Health
- 158. Department of Mental Health
- 159. Department of Pensions and Security
- 161. Agency for Social Security
- 161. Commission on Aging
- 161. Department of Agriculture and Industries
- 161. Farmers' Market Authority
- 162. Agricultural Center Board
- 162. Dairy Commission
- 162. Department of Conservation and Natural Resources
 - 163. Forestry Commission
 - 164. Geological Survey
 - 164. Oil and Gas Board
 - 164. Soil and Water Conservation Committee
 - 164. Department of Archives and History
 - 164. Highway Department
 - 165. Administration
 - 166. Planning and Programming
 - 166. Engineering
 - 167. Construction and Maintenance
 - 168. Field Divisions
 - 168. Office of Coordinator of Highway and Traffic Safety
 - 168. Department of Aeronautics
 - 169. State Docks Department
 - 169. Printing and Publications
 - 170. Motor Vehicle Fleet Management
 - 170. Data Processing
 - 171. Office Space Management
 - 171. Food Service Management
 - 171. Telecommunications
 - 171. Aircraft Fleet Management

Section V

Implementation Techniques

- 173. Implementation Techniques

Section VI

Sponsoring Organizations

- 175. Sponsoring Organizations

Section VII

Index

- 177. Index



THE GOVERNOR'S COST CONTROL SURVEY

SECTION I

**Department and
Agency Reports**

Office of the Governor

The Governor is the chief executive of the state. He is selected by popular election and serves for a term of four years.

PRESENT PRACTICES

This office employs 26 people. All are appointed by the Governor with the exception of the recording secretary who is under the merit system and provides continuity between one administration and the next.

The prime function of the Office of the Governor is to effectively handle the many requests made on his time by persons who visit, write or telephone. An average of 125 letters are received daily to be answered or referred to an appropriate department. When the Legislature is in session, additional help is brought in to maintain contact between the Governor and his floor leaders. The 1972 appropriation for this operation totaled \$549,500.

OPERATING EFFECTIVENESS

This office functions with remarkable effectiveness and dedication. Continuing studies are being made to improve its efficiency.

The area allotted to this operation is poorly arranged and inadequate. Many of the employees are borrowed from other departments and should be included in a budget covering the work they perform.

RECOMMENDATIONS

1. Increase the budget of the Office of the Governor.

This office is not adequately funded. The result is that many important tasks must go undone or personnel must be borrowed from other agencies to do the work. The budget of any operational unit should reflect an accurate appraisal of its requirements. Therefore, the appropriation for this office should be reviewed and increased to a sum commensurate with its responsibilities.

2. Establish clearly the duties and responsibilities of each staff member.

In order to perform effectively, an employee must know the specific area and scope of his accountability. A clear delineation of staff accountability

will improve operations by minimizing duplication of effort and establishing the parameters of responsibility for each position. Preparation of job descriptions is currently in process. These need to be communicated to the staff and discussed in a group environment to assure clear understanding of the duties and responsibilities of each staff member.

3. Assign responsibility for maintaining liaison with a group of agencies, commissions, and boards to each staff member.

Time does not permit the chief executive to communicate directly with all the agencies, commissions, and boards in the state government. To maintain contact and communications with the parties concerned, the Governor must extend himself through his staff. Assignment of specific liaison responsibility to provide the necessary two-way communications is basic and essential to efficient state government. This should also provide a link for handling the high volume of correspondence.

4. Conduct staff meetings on a regularly scheduled basis.

The staff must have the confidence and guidance of the chief executive to intelligently respond to the many situations and queries confronting them daily. In addition, the staff must be knowledgeable about the long-range goals and objectives of the Governor to aid him in developing programs and policies. The Executive Secretary should have a regular scheduled routine for these meetings and prepare advance agendas.

5. Provide an operating procedures manual for the office staff.

It is essential that the Governor's staff perform routine tasks in a consistent fashion. Guidelines will assist them in clarifying internal relationships. A procedures manual will also establish standards to assure the projected image measures up to the stature of the office.

6. Improve procedures in the Office of the Governor.

The general files do not provide efficient retrieval of information. Some administrative assistants are maintaining separate files, and pending items are not handled in a manner to permit positive fol-

low-up. Some suggested improvements were initiated during this study. These should be continued and the remaining items, such as consolidation of files, instituted.

7. Prepare an annual report to the people of Alabama.

The people of the state need to be informed about the operation of state government. At the end of each fiscal year, the Governor should cause to be printed in paid space of the daily newspapers of the state an annual report to the people. This should show information for the past fiscal year, on a comparative basis with the prior fiscal year and the fifth previous fiscal year.

8. Establish guidelines for preparation of agency annual reports.

Most state agencies are required by law to submit annual reports, and others do so voluntarily. However, there are no guidelines to serve the agencies in the preparation of their reports. Consequently, the content, quality, physical makeup, and distribution of the reports vary widely. Some agencies ignore their responsibility to submit a

report, others submit only a rudimentary report, and several prepare lavish and extensive printed reports.

Annual reports prepared according to specific guidelines by all state agencies can be of considerable value to the Governor, the Director of Finance, and the Legislature as well as to inter-agency cooperation. However, the present system of preparation and distribution of annual reports, despite its considerable cost, falls well short of its potential for providing useful communications within the government. Therefore, the Office of the Governor should establish guidelines in an effort to improve the usefulness of the reports.

9. Require a written listing of objectives from each staff assistant and department head.

Management by objectives is becoming more prevalent each day in industrial organizations. In order to improve overall efficiency, quantitative and measurable objectives should be prepared by each key member of the Executive Branch. Performance against these objectives should be reviewed quarterly to indicate results achieved.

State Auditor

The State Auditor is a constitutional officer elected by the people. He must make an annual report to the Governor showing government receipts and disbursements, claims which have been audited and paid out by item, and all taxes and revenues collected and paid into the Treasury. Additional responsibilities include postauditing activities of the State Treasurer and the Department of Finance's Division of Control and Accounts and accounting for all state personal property.

PRESENT PRACTICES

The staff consists of 18 people organized into the Audit, Field Audit, Property Control, and Clerical Sections. The Audit Section postaudits disbursements and receipts and prepares an annual report to the Governor, updating the information on a monthly basis. It also reconciles accounts in state depositories and verifies that sufficient securities are pledged to cover these deposits. The two-man Field Audit Section makes only infrequent audits. The men spend most of their

time with the Audit Section. All property with an assessed value of more than \$10 and a life expectancy of over one year is the responsibility of the Property Control Section. Exclusions include livestock, animals, farm and agricultural products, and property owned, used or under the control of public schools, universities, colleges, and trade schools. The Clerical Section provides support services for the staff.

OPERATING EFFECTIVENESS

The State Auditor's department has a large staff, a part of which could be used in setting up an efficient property control operation. At present, the Property Control Section is not performing in accordance with the law or providing an efficient system of fixed asset accounting. Necessary information is not supplied to this organization and reporting agencies are not motivated to participate fully in property control activities.

Keeping records on all property in excess of \$10 does not seem justifiable in terms of the expense

involved. However, accurate accounting for fixed assets of significant value is required for the preparation of satisfactory financial reports.

RECOMMENDATIONS

1. **Raise the minimum value of fixed assets reported to the Property Control Section to \$100.**

Some fixed assets have tangible values which are so small that the expense of maintaining detailed records on them is not justified. At present, all property with a value of more than \$10 must be listed in the inventory. This requirement should be raised to \$100 and a list of exceptions made for items such as hand tools which are difficult to keep in inventory. No specific savings are claimed.

2. **Transfer the Property Control Section to the Department of Finance as a division reporting to the department's director.**

A lack of satisfactory accounting and inventory records, poor cooperation between agency property managers and the Property Control Section, and a need to improve compliance with the law regarding fixed assets makes it necessary to institute changes within the Property Control Section.

Because the primary function of the State Auditor is to audit the records of the State Treasurer and the State Comptroller, this section should be transferred to the Department of Finance and given division status.

This change will give Property Control more efficient access to purchasing records and paid invoices. It will allow more acceptable accounting practices since the proposed division will be subject to annual audits. Further, a manual providing specific instructions for accounting and reporting should be developed by the division. Recommended procedures are given in "Governmental Accounting, Auditing, and Financial Reporting" published by the National Committee on Government Accounting.

3. **Reduce the State Auditor's staff.**

In 1967, there were six employees in this department and today there are 12, excluding those in the Property Control Section. Although there have been no significant increases in its responsibilities, the department's staff has doubled in five years. Job descriptions are sketchy and there are not enough auditing duties to require this staff. Consideration should be given to consolidation of functions and staff responsibilities.

Secretary of State

This official is the custodian for the Great Seal, original statutes, public records, and all official acts of the Governor. He is responsible for all written material relating to state land surveys and manages statewide and special elections.

PRESENT PRACTICES

All laws passed by the Legislature are kept by this office in original form, enrolled, given a number, printed in bound volumes, and distributed according to law. The Secretary of State receives declarations of candidacy from all persons running for public office other than city or county posts.

He certifies candidates to probate judges in judicial, senatorial or congressional districts. Qualifying fees are remitted to the candidate's political party. Following the election, the office issues commissions to elected officials.

Maintenance and certification of records are also handled by this office. There are many services for which a fee is charged. Filing of incorporation papers by domestic and foreign companies and financial statements under the Uniform Commercial Code, process serving, and information requests constitute the major activities in this area.

OPERATING EFFECTIVENESS

This office is staffed with conscientious people and operates in a commendable manner. Files and work procedures are efficient and up to date. Some fees charged for services are inadequate.

Report preparation is time consuming and expensive, but charges for this material are only nominal. Efficiency is occasionally hampered by seasonal work peaks. Some coordination is needed to move people between jobs on a temporary basis to meet these demands.

The agency's most difficult problem is handling the vast number of requests for information. Some are received by telephone and can be taken care of immediately. Other information must be mailed, again at a very modest fee.

RECOMMENDATIONS

1. Eliminate the loss incurred by publishing the Alabama Credit Transaction Report.

This multi-page report is mailed weekly to subscribers for a fee of \$65 per year. The charge is grossly inadequate compared to the costs of publication. Therefore, the fee should be raised to \$240 per year. This will provide an additional annual income of \$3,200 to cover publication costs.

2. Raise the fee for filing financial statements under the Uniform Commercial Code.

The filing fee is currently \$2. Neighboring states such as Florida and Tennessee charge \$5 and \$3.50 respectively. The charge for filing in Ala-

bama should be raised to \$5 to cover processing costs and eliminate the present loss. Based on 3,500 filings annually, the additional annual income will be \$10,500.

3. Increase the fee for Service of Process.

Process serving is carried out on nonresident defendants through this office by the resident plaintiff. The current charge of \$5 does not cover the administrative costs involved in this activity. Raising the fee to \$10 would produce an additional annual income of \$10,000 — based on 2,000 requests per year — and eliminate the loss for providing this service.

4. Increase the domestic filing fee.

This charge has not been adjusted since 1963 and is inadequate to cover processing costs. The present fee of \$5 should be increased to \$10. The average number of filings is 2,700 per year. Implementation will provide an additional annual income of \$13,500.

State Treasurer

The State Treasurer, an elected official, is the custodian and disbursing officer for all state funds. He is also custodian of all investments of the State Teachers' and Employees' Retirement Systems and the State Insurance Funds as well as the securities on deposit with the state.

PRESENT PRACTICES

The State Treasurer's department operates on an annual appropriation of \$322,000 and has a staff of 27 employees. Units include Administration, Transit, Accounting, Warrant Disbursement, and Operations.

Administration provides overall department control, regulates balances in state depositories, and anticipates cash flow requirements for servicing the state debt. The Transit unit clears all checks in favor of the State of Alabama while Accounting posts receipts and disbursements to the general ledgers. Warrant Disbursement is responsible for reconciling cash letters against warrants tendered. Operations prepares all drafts on the state, maintains a draft ledger, records disbursements and receipts in the daily cash book, and keeps it in balance.

OPERATING EFFECTIVENESS

The high level of competence which exists in this department precludes significant savings except through radical revisions in existing systems and updating of data processing systems and hardware. To this end, the department is studying a change in the state bond coupon format. Increased computerization is also being reviewed, but the cost is considered prohibitive at present.

The handling of securities in state depositories presents problems in recordkeeping, storage, and logistics which could be eliminated through a more efficient system of depository accreditation. Although much progress has been made in the investment of state funds, improved cash flow management could provide significant increases in investment income.

RECOMMENDATIONS

1. Initiate a more efficient cash flow management system.

Much progress has been made recently to allow the State Treasurer to invest funds on deposit with the state. To supplement this effort and provide more funds for investment, all departments gen-

erating revenues should be required to move their receipts into state depositories as quickly as possible. This is particularly important in the area of social security contributions, federal grants, and collections from other political subdivisions.

To increase the amount of funds actually invested, the banks should be required by law to treat 50% of the state's average daily deposits as time-deposit demand accounts and pay interest each month based on the average daily deposits of the preceding months. In addition to raising the state's investment income, this procedure would free the State Treasurer from the duty of regulating time deposits. Using fiscal 1971 revenues as the base, the estimated annual income would be increased by \$1.2-million through implementation.

2. Employ cash-flow forecasting and hire an investment specialist to maximize state investment yields.

Maximum yield from investment of state funds will require formal cash-flow forecasting, quicker deposits of state revenues for investment, more freedom in choosing securities, and employment of a full-time investment specialist to oversee the state's portfolio. In addition, the number of state depositories should be significantly reduced. The annual cost is estimated at \$20,000. However, implementation should result in an additional annual income of \$800,000 through increased and improved investments.

3. Change the coupon format for bond issues.

At present, bond coupons tendered for payment must be forwarded to a fiscal agent who manually records the transaction and makes payment from funds provided by the state. On occasion, the bond holder may tender the coupons directly to the state. In this case, the State Treasurer makes the payment and initiates the records. Coupons are filed in numerical order and kept for six years. After this time, the material is microfilmed and destroyed.

The format of the coupons should be changed to magnetically encode all pertinent information on each coupon. Fiscal agents could then process them mechanically and the State Treasurer would benefit by having the coupons set up with a printout showing the number of unpaid coupons in each monthly statement. By modifying the coupons still further — putting them in a format similar to state warrants — the need for processing by fiscal agents would be eliminated. The

bond could also be printed as a warrant for cashing upon maturity.

Implementation would abolish the need for specialized bookkeeping and filing required by the current system. The annual saving is estimated at \$40,000. Also, since the State Treasurer would no longer have to provide funds for the fiscal agents, the state would realize an additional investment income on these monies of approximately \$100,000 per year.

4. Maintain control of all state trust funds with the State Treasurer.

Establishing an investment section, as recommended elsewhere, and increasing the types of investments which can be made would allow the state to realize several million dollars annually in increased income. No specific amount is claimed.

5. Authorize the State Treasurer to exert minimum accounting control over the Health Study Commission and the State Safety Coordinating Committee.

By maintaining balances from these groups with the State Treasurer, the annual investment income will be increased by approximately \$2,000.

6. Change the qualification requirements for state depositories and extend F.D.I.C. powers to insure public fund deposits 100%.

At present, the state maintains 326 state depository accounts in an effort to provide banks with additional lending funds. However, deposits are limited by law to an amount equal to the par value of bonds and securities which the bank has deposited with the State Treasurer. This causes smaller banks to invest heavily in such securities to qualify for larger state deposits, thus restricting instead of encouraging community lending activities. This practice also causes the state to tie up large sums in inactive accounts.

Therefore, the requirement should be waived. In its place, a formula should be developed — based on capital, surplus, and the ratio of state to total deposits — to use as a criteria in determining the amount of state funds to be deposited in a given bank.

It is further recommended that Alabama join with other states and the American Banking Association to encourage Congress to extend the powers

of the F.D.I.C. so that public fund deposits can be insured 100%. The State Treasurer will then be freed of his duties as custodian of the securities in state depositories. Implementation will

eliminate the need for one clerical worker and provide additional time for other department staff members. The annual saving is estimated at approximately \$10,000.

Attorney General

The Attorney General is an elected official. He functions as the state's chief legal officer.

PRESENT PRACTICES

This office has an authorized work force of 46 persons. The organization includes the Criminal and Civil Divisions. An opinion committee of key personnel reviews all opinions prior to issuance.

There is also a Public Safety Section and a Division of Legislation, Research, and Training. Eight other departments employ a total of 23 assistant attorneys general. Their relationship with the Attorney General's Office poses a recurring problem. In fiscal 1971, the expenditure totaled \$597,000 of which \$466,500 represented salaries.

OPERATING EFFECTIVENESS

The Attorney General appears to be exerting leadership qualities as the state's chief legal officer which can bring about progress in law enforcement activities. However, he is faced with problems of inadequate funding and a lack of sufficient authority to allow the office to meet its responsibilities.

There is an extreme shortage of space which causes poor housekeeping and insufficient security. Modern administrative equipment and techniques are not uniformly used and there is difficulty in retaining competent legal personnel.

RECOMMENDATIONS

1. **Publish formal opinions annually and consider eliminating bond compilations.**

Formal opinions issued by the Attorney General's Office are published quarterly and about 1,200 compilations are prepared in addition to the individual published opinions. It would appear that formal opinions need to be printed on an annual basis only and limited to a minimum number of copies. Also, a study should be made to determine if the compilations are required by the

legal profession. Implementation will provide an annual saving of \$1,500.

2. **Implement the recommendations made in the 1971 study of this office.**

As this office grows, its operations will become decreasingly efficient unless current administrative procedures are improved. Therefore, the recommendations made in the 1971 study performed by the University of Alabama should be implemented without delay. No savings are identified, but greatly increased efficiency is anticipated.

3. **Microfilm inactive files and install a central file system.**

A survey of microfilm suppliers should be made to determine the cost of microfilming inactive files. Once the system is installed, savings in space rental alone should offset the operating costs. The annual cost is estimated at \$5,000. Annual savings should be at least \$5,400. The reduction in filing space will enable the office to install a central filing system which will increase office security and efficiency.

4. **Provide additional office space.**

Lack of adequate space hampers implementation of more efficient procedures and working area arrangements. It is estimated that the overall improvement in efficiency would approximate 5% if adequate space could be provided for this agency. The annual cost would be \$16,000. Annual savings would amount to \$27,000.

5. **Automate a records retention and retrieval system.**

This office generates a great deal of written material which must be stored for future reference. Many similar operations in other states utilize data processing techniques to index, record, and retrieve virtually the entire data base involved in their work. Therefore, a study should be made of the feasibility and costs involved in using data processing equipment to augment the operations of the Attorney General's Office.

Public Service Commission

This commission regulates railroads, motor carriers, and public utilities. The members interview and correspond with citizens and representatives of the public service companies under the commission's jurisdiction.

PRESENT PRACTICES

The three commissioners are elected and each has an executive assistant. This organization has 36 employees and consists of the Office of the Secretary, Bureau of Utilities, Office of Attorney, Bureau of Transportation Rates and Services, Bureau of Inspections and Compliance, Bureau of Accounts Insurance and Registration, Transportation and Supply Services, and the Gas Pipeline Safety Section.

The staff regulates 24 utility companies, 19 railroads, and 40 telephone companies. They also regulate 252 common motor carrier firms registered for interstate hauling. Since January 1972, the commission has sold more than 62,300 decals for interstate trucks. During fiscal 1971, income was more than \$987,000; operating expenses totaled over \$512,000; and the commission turned over more than \$337,000 to the general fund.

OPERATING EFFECTIVENESS

This commission is greatly handicapped in obtaining qualified people in the more technical jobs because of the low salary scale. Outdated regulations also cause operating difficulties.

At present, the chief of the Bureau of Utilities is serving on special assignment with another agency. Vehicle decals are sold for \$1, a charge which does not cover the actual cost of handling.

RECOMMENDATIONS

1. Study and update rules and regulations.

Many of the rules and regulations administered by the commission cover situations which no longer exist. Because of the complexity of these requirements, a comprehensive study is needed by an independent consultant. Implementation will improve the commission's effectiveness. The one-time cost is estimated at \$25,000.

2. Return the chief of the Bureau of Utilities to his duties or hire a replacement.

This official has been assigned to another agency, although his salary is still paid by the commission. His absence has created a crucial manpower shortage. Therefore, the chief should either be returned to his commission duties or transferred permanently to the other agency.

3. Increase the price of vehicle stamps.

Vehicle stamps are now issued for \$1, a charge which does not cover processing costs. Neighboring states have fees which range from \$5 to \$25. An increase to \$5 would recover processing costs and provide an annual income of \$250,000.

4. Transfer the duty of motor carrier inspections to the State Highway Patrol.

The enforcement staff is composed of four men who must inspect all motor carriers in the state. Since this duty could be handled more effectively by the State Highway Patrol as part of its regular responsibilities, two employees should be transferred to the Department of Public Safety to train State Highway Patrol troopers in their new duties. The annual saving would be \$21,500 for the two men no longer required.

Department of Finance

This department manages, supervises, and controls the fiscal affairs and procedures of the state.

PRESENT PRACTICES

The department is headed by the Director of Finance. It is organized into the Director's Office, Division of the Budget, Division of Control and

Accounts, Legal Division, State Insurance Fund, Division of Purchases and Stores, and Division of Service. The total appropriation is \$1.9-million.

OPERATING EFFECTIVENESS

In a large organization such as state government, the financial operations are very important and

require many units to supervise various activities. Because of the diverse nature of this department's responsibilities, the effectiveness of each unit has been individually appraised in the following report sections.

Although understaffed, this is a well-run organization. The strength of the operation lies in the experience and dedication of certain senior employees. However, several of these persons are retiring or near retirement. Few written procedures exist as guides to budget preparation.

A need to improve budget preparation processes has been recognized. But, due to the small staff size, only limited analysis and development activities have been possible. More meaningful analysis of state finances is indicated and the advantages of modern techniques should be thoroughly explored.

Director's Office

This office administers the duties and responsibilities of the Director of Finance. He is the chief financial officer of the state and advises the Governor and Legislature in all financial matters. The director appoints all personnel in his department, assigns office space in the capitol complex, and controls the sale of state lands.

The Director's Office includes the director, an assistant, and two secretaries. It operates on an annual appropriation of approximately \$75,000. A position of office supervisor is authorized, but vacant.

This unit is administering its responsibilities in an effective manner. The position of office supervisor should be filled to handle routine daily matters. Communications between the director and various departments regarding fiscal practices should be improved.

RECOMMENDATIONS

1. Prepare a consolidated statewide cost allocation plan.

Such a plan would identify the cost of operations, overhead, and central service functions. It would provide methods of allocating these costs to agencies and departments. Implementation would increase the amount of federal reimbursement the state could receive on matching fund projects.

The plan must be approved by HEW and should be designed by a consultant experienced in cost

allocation systems. The one-time cost is estimated at \$30,000. The potential annual saving would be about \$1.5-million.

2. Fill the position of office supervisor.

A person with good administrative experience should be hired to take over routine daily matters in the Director's Office. At present, the office is using the services of a person on loan from the Banking Department. Salary costs should be transferred from this department to the Director's Office.

3. Improve communications between the Department of Finance and other state agencies regarding fiscal practices and financial reporting methods.

The department should establish an effective administrative mechanism to develop and promulgate fiscal and financial reporting practices on a uniform basis. Better communications between the Department of Finance and other financial personnel in the state will improve the overall fiscal operations of Alabama.

Division of the Budget

This division prepares the biennial state budget and administers its execution after enactment into law by the Legislature. The Budget Officer, who heads the division, also serves as secretary for the Building Commission. Staff size has been relatively constant for the past five years at seven persons. The fiscal 1971 expenditure totaled \$71,800 of which 95% was for salaries, 5% for other expenses.

The Division of the Budget prepares a tentative overall budget for submission to the Governor, based on estimates of anticipated expenditures and revenues for the upcoming biennium. It administers the budget, after its enactment, by approving quarterly allotment requests from the various government units. The division also controls agency expenditures since no appropriation money is released until a request has been approved by the Budget Officer, the Governor, and the Department of Finance.

4. Increase the division's staff.

The Division of the Budget now has six full-time employees including the Budget Officer. Due to retirements, there is a strong possibility that vacancies will occur in the near future. A nucleus of well-qualified budget analysts must be recruited and trained.

The division should be organized so that analysts can be assigned to four specific work areas: administration and allotments, education, health and corrections, and state agencies. The analysts should spend some time in the field to become familiar with the problems and programs in their assigned areas. In this way, they can better advise the Budget Officer and the Governor during the budget preparation period. In addition, they will be prepared to advise the Legislature during budget hearings.

Salary ranges must be established to attract properly qualified people and opportunities for advancement should be provided in order to retain them. The annual cost of implementation is estimated at \$73,000.

5. Provide an adequate working area for the expanded staff.

The division now occupies limited space on two floors of the Capitol Building. Only the Budget Officer and one examiner have private offices. The rest are constantly exposed to traffic through their working area.

It is necessary that the division remain in the Capitol Building. Therefore, adequate space with private offices for the examiners should be provided. The annual saving, resulting from increased efficiency, is expected to be about \$7,500.

6. Change the fiscal year for the state.

The state's fiscal year begins October 1 although the federal fiscal year and the school year both begin July 1. Unless stringent financial management is exercised by the school districts, the difference in fiscal and school years within the state can cause financial hardships. Also, duplicate records are often necessary because of information requirements based on the federal fiscal year of July 1.

Changing the state's fiscal year to July 1 would eliminate both problem areas. The annual saving through eliminating duplicate records is estimated to be \$250,000.

7. Expand and improve the budget process.

The present system has been in operation for more than 30 years. Although implemented by competent people, there is a need to improve budgeting techniques and format. Lack of staff has hampered development efforts. However, once the proposed additional personnel have been trained, the Budget Officer should consider:

- ▶ Streamlining the budget worksheets and preparation procedures. Considerable manual effort could be eliminated by using information available from the Division of Control and Accounts.
- ▶ Becoming more involved in evaluating cost effectiveness of short- and long-range programs by making in-depth studies of cost versus benefits. Doubtful projects would be subjected to challenge during the budget preparation process.
- ▶ Employing the techniques of planning, programming, and budgeting systems in establishing financial goals. Features of these systems may offer significant benefits in long-range planning and performance evaluation for permanent programs.
- ▶ Schooling budget examiners in new techniques learned through seminars or by investigations of other states' procedures.
- ▶ Developing manuals covering various aspects of the budget function to diminish the problem of training new personnel and to provide a basis for cross-training.

Although the advantage of implementation are felt to be substantial, they cannot be quantified. Increased costs will be more than offset by potential benefits and long-term savings.

8. Prepare the capital expenditure budget as a six-year, long-range program with specific priorities and objectives.

At present, there is no requirement for agencies and institutions to prepare long-range programs or master plans for major capital projects. All proposed expenditures for such projects should be included in a six-year master plan to be prepared by the Executive Branch for approval by the Legislature. Implementation will ensure that bonds for capital improvements will not be issued in a haphazard fashion and that large sums of money will not be expended without an overall planned objective.

9. Review the present fund structure.

Under current financial procedures, certain revenues are deposited to the general fund while others are put in trust or cash funds restricted to specific spending units. Approximately 90% of all state revenues are earmarked for specific activities. Continuation of such revenue dedication will threaten the soundness of the general fund.

An analysis should be made of all trust and cash funds and consideration given to depositing all revenues to the general fund. Appropriations could then be made from this fund to cover expenditures. If this is not desirable, only necessary monies should be allocated to the various spending units and all excess revenues returned to the general fund.

10. Integrate division requirements suitable for data processing techniques into any plans for computer development.

At present, the Division of Control and Accounts serves as the bookkeeper for the Division of the Budget. No duplication of personnel or activities exists between the two. Therefore, any plans to increase computer capabilities should take the needs of both divisions into consideration. For example, terminal installations would provide benefits to the Division of the Budget by decreasing paperwork and increasing efficiency. However, this unit's requirements alone would not be sufficient to justify the expense.

11. Eliminate the bookkeeping function for the Building Commission from the division.

The Budget Officer is also secretary of the Building Commission. Books for the commission's various authorities are kept by the division. This function should be transferred to another area in the Department of Finance and maintained on EDP equipment. No savings are claimed, but current hand-posting by a budget examiner will be eliminated.

Division of Control and Accounts

This division is supervised by the Comptroller and keeps all financial records of the state assigned as responsibilities of the Department of Finance. It also supplies very limited data processing support to other departments and agencies of the state.

The division has approximately 30 employees and an annual appropriation of about \$430,000. During the course of a year, it performs a preaudit of claims against the state and issues warrants totaling more than \$2-billion. Additionally, it compiles budget statements for more than 200 departments and agencies and provides computer time to other state departments and agencies.

It is organized into the Receiving, Auditing, Disbursing, and Computer Sections. The Computer Section employs 13 people and expends approxi-

mately \$218,400 annually for a third generation computer and related equipment plus personnel.

The division's control procedures seem adequate although there appears to be excessive control in the area of checking and preauditing vouchers. Records concerning state revenues and expenditures are kept by the division, the State Treasurer, and the department involved. With adequate controls, one financial records system should be sufficient. The division makes only limited use of data processing capabilities. For example, only 96 average meter hours of computer time are used monthly. Of this, 45% is for the payroll application. In addition, the operation presents many areas for procedural improvements.

RECOMMENDATIONS

12. Improve financial reporting practices.

The state's annual report contains information provided by the Comptroller, State Auditor, and State Treasurer. Much of the data is similar, but the same basis of accounting is not used throughout the state. This causes problems in reconciliation of figures.

To increase the effectiveness of the annual report, the Department of Finance should be solely responsible for financial reporting. Further, it should adopt the standards recommended in "Governmental Accounting, Auditing, and Financial Reporting" by the National Committee on Governmental Accounting.

13. Develop a new chart of accounts.

The need for improved financial reporting, the increased complexity of state operations, and the installation of computer systems make the present chart less effective than it should be.

A comprehensive new chart should be designed and installed. It should cover the financial activities of all departments and agencies on a uniform basis. In addition, related accounting and reporting procedures should be examined with a view toward increased EDP applications. The one-time cost is estimated at \$35,000.

14. Update the fiscal procedures manual.

The present manual was developed in 1963 for use by all departments. Since that time, there have been many changes which should be incorporated into this material. The updating could be accomplished by present personnel. The one-time cost is estimated at \$3,000.

15. Develop a procedures manual for the Division of Control and Accounts.

The proposed manual should provide a detailed explanation of the duties and authority assigned to each position. Employees should be held accountable for all deviations from approved procedures unless changes are authorized in writing by the Comptroller. This manual should include an organization chart and could be prepared by current personnel. Its use will improve division efficiency and aid new employees in the performance of their assignments.

16. Prepare an accounting manual and revise present accounting forms.

In view of the complexity of accounting functions, the influence of state laws, and the turnover in personnel, a comprehensive accounting manual should be prepared. Such manuals are an important aid in improving employee efficiency. Accounting forms should also be reviewed and revised to ensure uniformity, completeness, and convenience.

A systems analyst should be employed to prepare the manual, redesign forms, and improve other systems as needed. The annual cost of implementation is estimated at \$17,000.

17. Discontinue paying F.I.C.A. taxes on sick pay for state employees.

Currently, social security taxes are computed and paid on gross wages with no recognition taken of sick pay. Such payments may be excluded from the tax, and procedures should be established to generate the necessary records. Based on current experience, implementation would provide an annual saving of \$240,000.

18. Combine invoices and statements to one vendor on a single warrant when feasible and mail warrants from the Division of Control and Accounts.

At present, a warrant is prepared for each invoice or group chargeable to one account. Warrants are also prepared for each voucher submitted by a department or agency. If invoices to the same supplier were accumulated and paid twice a month on a single warrant, the state would save \$10,000 in mailing and related costs.

Additional savings would be achieved by the departments and agencies. The cost of mailing would include a one-time programming expenditure of \$6,000 and \$11,400 per year in clerical salaries.

19. Install a statewide management information system which includes cost accounting and performance reporting.

At present, state officials are not receiving timely information needed to make vital management decisions. A management information system would require approximately three years to design and implement. The state should secure the services of a public accounting firm and/or a consultant to spearhead the study and design phases as well as to supervise installation of the system. The one-time cost over several years is estimated at \$500,000.

Implementation will provide all departments and agencies of state government with the best financial information available. The annual saving through elimination of duplicate records and unnecessary personnel is expected to be \$120,000. Additional savings will be provided by establishing improved revenue administration and timely cash flow information.

20. Eliminate excessive invoice audits of agencies and departments which can perform their own.

The Director of Finance and the Comptroller should designate those departments and agencies which are capable of auditing their own invoices, prescribe the procedures to be used, and delegate this function to them. Only an occasional examination of procedures would be required. The annual saving to be achieved is estimated at \$23,000.

21. Develop, program, and implement an integrated, mechanized state payroll system.

The present method of processing the payroll does not utilize computer concepts properly. The computer is used only as a printout machine to prepare warrants and maintain year-to-date earnings information. A properly implemented system would include a master payroll file in memory that would provide all pertinent data in regard to employee salaries and wages. The file would be updated as often as necessary to meet requirements of the Personnel Department. It would be the Personnel Department's responsibility to certify all changes of the master file.

A standard form would be needed for all agencies to report employee time not to be paid for that period. Programs would be written to process check calculation and preparation including a complete payroll register by agency. All warrants

could be written at once and provisions made for the necessary controls and accounting details. Implementation would produce an annual saving of \$90,000 by eliminating current manual processing. The annual cost would be \$12,000 with a one-time programming cost of \$6,400.

22. Prepare short- and long-range plans to expand computer services within the Department of Finance and related areas.

The failure to plan for future requirements results in inefficient and expensive operations. Short-range plans should be established for the data processing operation to cover at least a year. Proposed applications as well as major changes in existing programs should be detailed with procedural and documentation work included. Long-range plans should include projects to be scheduled during the coming five-year period. Personnel, equipment, software, space, and other operating requirements should be included.

23. Develop, program, and implement warrant reconciliations for the computer system.

Reconciliations are presently performed by unit record equipment in the State Treasurer's department. Transferring this operation to the computer would be a simple task and would eliminate the need for three employees. Salary and equipment savings would total \$37,900. The one-time cost of implementation would be \$1,200.

24. Implement security measures in the computer room.

At present, effective security measures are not in operation and major losses of information could result. Provision should be made to store backup magnetic tapes of all master files in a secure location outside of the division's premises. All program source decks should be transferred to magnetic tape and stored with the master files.

25. Provide programmers with an adequate work area.

A proper work area is very important in increasing programming efficiency. Providing an office for the department's programmers will cost approximately \$500 per year. However, implementation should provide a productivity increase of 25% for an annual saving of \$6,100.

26. Provide training for two programmers in advanced computer techniques.

In the past, the division has relied on programmers' efforts at self education. A program should

be established to allow personnel to work with more experienced employees in other state data centers. Advanced computer courses should be made available on a regularly scheduled basis. Implementation costs will be more than offset by increased productivity.

27. Develop and enforce standards for procedures and documentation of all present and future applications.

At present, there are no established standards or documentation procedures. Such tools are essential to achieve effective application coordination and an overall increase in computer productivity. A program should be developed to provide the necessary standards and procedures.

Legal Division

This division advises members of the Department of Finance on all legal matters pertaining to the department. When authorized by the Director of Finance and the Attorney General, it also represents the state in criminal and civil litigation affecting the department.

The division staff includes the chief — an assistant attorney general appointed by the Director of Finance — a secretary, and a clerk. Its annual appropriation is approximately \$40,000. This division handles all legal matters for the Department of Finance and represents it on bond issues.

This division is fulfilling its responsibilities in a capable manner. Minutes, records, and files are maintained properly when consideration is given to the limited space available.

RECOMMENDATIONS

28. Obtain fireproof filing cabinets with locks.

The present fireproof safe is not adequate to store all of the documents which should be protected. Sufficient space could be provided by purchasing five fireproof filing cabinets at an estimated one-time cost of \$2,000.

29. Centralize accounting records for the authorities within the Division of Control and Accounts.

At present, the Legal Division and the Division of the Budget maintain detailed project accounts for the authorities. These records should be transferred to the Division of Control and Accounts since it already has control accounts established for the authorities and the various projects.

State Insurance Fund

This fund is a self-insurance program covering state-owned properties, county school buildings, and some city schools. Certifications are sent out annually so that appraisal values can be adjusted. Premiums are 40% lower than commercial rates while reinsurance is carried under a single policy at a 29.8% discount.

More than 9,800 buildings and their contents are insured. The current valuation—based on replacement cost less depreciation—is approximately \$957-million. For fiscal 1971, losses and operating expenses totaled more than \$2-million while premiums were approximately \$2.3-million. There was an addition to the reserve of almost \$1.7-million as a result of interest and miscellaneous income plus appreciation in the bond portfolio. The total reserve as of September 30, 1971, was \$10.6-million.

The investment of surplus funds is restricted to federal, state, and local obligations. At present, the portfolio consists of 74% U. S. government obligations with the remainder in tax-free, low-yield state, county, and municipal obligations. A minimum cash balance of \$400,000 must be maintained with the State Treasurer.

With the exception of the field staff, the office appears well organized. Field men lose a great deal of time each week traveling to their assigned areas and attending weekly meetings in the office. In addition, there is no follow-up on field reports regarding hazardous conditions.

RECOMMENDATIONS

30. Assign specific geographic areas to field men for inspections.

At present, there are three full-time field men conducting inspections of state-owned properties. During fiscal 1971, 68% of these properties were visited by the field staff. Under the current system, field men live in Montgomery and receive inspection assignments each Friday at the headquarters office. This means that a good deal of time is spent traveling to and from assignments each week. By assigning each man a specific area and reducing his travel time, more efficient use could be made of staff time.

Management direction could be handled by a system of telephone conferences using the statewide WATS service. Increased efficiency would be the equivalent of an additional field man. There-

fore, implementation would provide an annual saving of \$12,200.

31. Establish a \$250 deductible for insurance coverage.

During fiscal 1971, some 38 claims were paid on losses of less than \$250. In the same period, 109 claims were paid for losses of more than \$250. By establishing a \$250 deductible for coverage, the state could save an estimated \$32,000 annually. It could also reduce the administrative effort needed to process small claims.

32. Enforce the state law requiring government properties be insured for no less than 75% of their replacement value.

Instances have been noted where properties have been insured for as little as 40% of their replacement value. The law requiring at least 75% coverage should be enforced to put all insureds on an equitable basis. If a loss occurs, only the amount insured should be paid. Values should be reviewed annually and adjusted as required. This would provide a means for enforcing coinsurance principles.

33. Eliminate the fund's authority to invest in tax-free bonds.

The State Insurance Fund has more than \$2.9-million in tax-free bonds in its investment portfolio. There is no advantage to investing in these low-yield securities. By eliminating the authority to invest in these bonds, the fund's manager will be relieved of political pressures to purchase them and can buy securities that will return a higher rate of income.

Division of Purchases and Stores

There are approximately 60 locations in the state including the Division of Purchases and Stores which purchase goods in excess of \$120-million. Policies, procedures, forms, and effectiveness vary with each unit. Interpretation of governing laws differ to some extent. Some locations have up-to-date purchasing manuals while others have none. Communications among the locations is practically nonexistent.

Overall, the practices, procedures, and requirements which form the state's purchasing function need much improvement. Statewide volume potential is not being exploited. By law, competitive sealed bids must be solicited for purchases of more than \$500. Processing time varies from lo-

cation to location. There are almost no vendor performance evaluation programs.

Approximately 40% of the state's purchases are made by the Division of Purchases and Stores. It is managed by the State Purchasing Agent and has a fiscal 1972 appropriation of \$249,000. There are 23 employees including seven buyers who place approximately 29,000 orders and contracts worth about \$50-million annually. With few exceptions, purchasing personnel do not visit suppliers or agencies served.

Communication within the division and between it and other purchasing locations is poor. The low number of annual contracts is grossly out of proportion to the available opportunities. This division does not properly pursue the objectives of an efficient purchasing function.

RECOMMENDATIONS

34. Restructure the current statewide purchasing function.

At present, there are more than 60 locations which handle state purchases. Although somewhat controlled by the bid law, different policies, procedures, objectives, and forms exist in each. Most of these locations have little contact with the Division of Purchases and Stores and the resulting fragmentation causes considerable duplication and increased operating costs.

The statewide purchasing function should be reorganized under an experienced procurement director reporting to the Director of Finance with functional authority over all purchasing locations. The Division of Purchases and Stores would remain as one of the reporting locations.

It will be necessary to establish standardized procedures, policies, goals, forms, and data collecting methods. When all state expenditures are subject to centralized purchasing control, combined expenditures should be reduced by at least 5% per year for an annual saving of approximately \$6-million.

35. Improve the physical facilities for purchasing personnel at the capitol complex.

Present facilities are not conducive to efficient operation. Space allocation is poor, the noise level is high, there is no privacy for vendor or agency interviews, support functions are physically separated from the operation, telephone service is inadequate, and the area for opening bids to the public is too small.

To improve the situation, private work areas should be provided for the buyers, the remaining department space should be reorganized for increased efficiency, a conference room should be allocated to the division, and a study should be made to establish the unit's telephone requirements. Implementation should improve the division's overall efficiency by 10% for an annual saving, based on current salaries, of \$20,400.

36. Reassess the operating effectiveness of division personnel in the capitol complex and establish individual and department goals and objectives.

The present operation is inefficient and ineffective. The main problem is the lack of proper leadership on the part of the State Purchasing Agent. There are no written objectives for individuals or the department.

A majority of the present employees would be capable of doing a creditable job if provided with clear procedures and competent, energetic leadership. Training programs based on these proposed goals should be provided for buyers as one step in improving the overall operating effectiveness.

37. Establish a statewide Specifications, Standardization, and Value Analysis Section.

Currently, most purchasing locations lack written specifications and there are no standards set for items used on a statewide basis. In addition, there is no value analysis program in effect to gather data on product or material performance.

As part of the restructuring of the purchasing function, a Specifications, Standardization, and Value Analysis Section should be formed to report to the Procurement Director. Personnel capable of carrying out this function already exist in some locations. Utilizing them as a nucleus to train others should keep implementation costs to a minimum. Savings have already been claimed.

38. Collect purchasing information regarding data processing systems on a statewide basis.

At present, there is no statewide system which shows total purchases, vendor performance, dollar volumes, and other statistics which can be used to advantage in the purchasing process. In addition, performance data is either totally lacking or inaccessible.

A statewide data collection system should be installed in all purchasing locations. The proposed

system would be utilized to form statewide purchasing policies by category and could determine candidates for statewide contracts. A program already in existence in Texas is recommended for study.

The one-time cost of implementation is estimated at \$12,900. The annual cost would be approximately \$10,600. Annual savings are expected to amount to \$400,000.

39. Standardize the forms used in the purchasing function.

At present, forms vary from location to location, depending on the procedures in force. There are at least 30 different purchase order formats and as many different requisition forms. Adopting standard forms for use by all locations will lower production costs and enable all purchasing units to participate in a statewide data collection system. Savings have been claimed elsewhere.

40. Prepare a uniform purchasing policy and procedures manual for use at all locations.

At present, some locations have current manuals, others have outdated information, and still others have no manuals at all. This causes excessive variations in modes of operation and unit effectiveness. Therefore, a manual should be prepared for adoption as the official purchasing guide for the state. Savings through increased efficiency should more than offset the costs involved.

41. Eliminate negotiations after bidding.

At present, within five days after bids are opened, anyone — bidder or not — may negotiate for a contract of 5% under the lowest bid. Therefore, many suppliers may not quote their lowest price. Instead, they wait until the negotiation period. This practice is questionable and should be eliminated by amending the governing statute.

42. Establish signing authority levels for purchase orders and contracts and shorten the route for requisitions and purchase orders.

It can take up to five months for a requisition or purchase order to be processed under the current system. Therefore, each qualified buyer should be authorized to proofread, sign, and expedite orders he issues within predetermined limits. An effective system will ensure that more than 90% of all purchase orders are prepared within three to 14 days from the receipt of a requisition. Savings have been claimed elsewhere in this report.

43. Seek relief from notarization of purchasing documents.

At present, some locations notarize purchasing documents while others do not. Since these papers contain various statements regarding conditions and the like which must be signed, it should not be necessary to have the documents notarized as well. Implementation will increase processing efficiency.

44. Activate and install a uniform records retention program.

No uniform program of records retention exists in the various purchasing locations at present. Therefore, a clarification of the rules pertaining to the retention of purchasing records should be prepared and distributed to implement a statewide policy on a mandatory basis. No savings have been claimed.

45. Institute an automatic expediting system for purchase order follow-ups.

With few exceptions, the only expediting done by the purchasing units is performed after an agency request. When data processing applications are designed for the purchasing function, provision should be made for automatic printouts of vendor inquiries for expediting purposes. Implementation should improve deliveries and increase efficiency.

46. Hold staff meetings for division personnel and statewide meetings for other purchasing location employees.

At present, there are no staff sessions held between the State Purchasing Agent and the division's buyers. In addition, no meetings are held with purchasing personnel in other locations. Monthly meetings within the division and periodic mandatory statewide sessions would provide better communication, activity coordination, and information exchange.

47. Increase agency visits by the purchasing personnel.

With few exceptions, purchasing personnel do not visit the agencies they serve. The result has been a breakdown in communications and a decrease in performance efficiency. Regular visits to discuss mutual problems will greatly improve relations between purchasing and user agencies.

48. Require purchasing personnel to make more vendor visits.

Vendor visits are valuable in settling problems, assessing supplier capabilities, and determining

the vendor's financial responsibility. Scheduling vendor visits for all state buyers would enable them to become more familiar with their sources of supply.

49. Establish vendor specifications and update the statewide vendor lists accordingly.

At present, there is no uniform procedure for vendor qualification. Therefore, a system should be established under the Procurement Director to set standards for vendor performance and to rate suppliers against these guidelines.

Considerations would include delivery, financial responsibility, pricing, quality, and service. The list of acceptable bidders should then be periodically updated and distributed on a statewide basis. Estimating the saving through eliminating marginal suppliers at 0.5%, implementation should provide a potential annual saving of approximately \$600,000.

50. Revise bid limitations, allow telephone bids, and raise dollar limits on placement of emergency orders.

The bid law was enacted in 1961. It should be amended to raise the existing limitation on sealed bids to \$1,200 and to raise the amount for emergency purchases to \$100. Also, a system should be instituted to use telephone quotations for items up to \$1,200.

At present, motor vehicles and heavy equipment may be idle in excess of six months for lack of a minor part. Single source items should not require bids. Implementation will shorten the procurement cycle significantly.

51. Expedite payment of vendor invoices.

Procedures for verifying and paying vendor invoices vary from location to location. In some cases, it may take up to six months for a supplier to receive payment. Therefore, an efficient uniform procedure for processing these invoices should be established by the Comptroller for use on a statewide basis. Savings have been claimed previously.

52. Simplify the local disbursement, emergency, and confirming order systems.

Currently, the procedures and paperwork associated with these activities are almost as cumbersome as the normal purchasing system. Therefore, a streamlined method should be established to obtain local disbursement, emergency items, and confirmation of small purchases.

53. Increase the use of the federal General Services Administration (GSA) as a supplier.

At present, only two state locations take advantage of the considerable savings available through purchases from GSA. In restructuring the purchasing function, a buyer should be assigned to coordinate and promote statewide use of GSA as a vendor. At current purchasing levels, the estimated annual saving would be approximately \$800,000.

54. Establish a formal liaison system with counties and municipalities.

There is no positive liaison with counties and municipalities. A system should be established to require the state to pass along information regarding annual contracts, policies, and procedures to local purchasing functions for their guidance.

55. Require the Attorney General to investigate the benefits of having Alabama join the 15 other states taking court action against car manufacturers.

At present, 27 actions are pending which charge automakers conspired to terminate fleet discounts previously granted government agencies. According to recent information, only those states filing suit would be entitled to damages if a decision was rendered against the manufacturers.

Division of Service

This division is responsible for mail and telephone service, buildings and grounds maintenance, and surplus property sales. It also handles security and guide services and the motor pool operation at the capitol complex. Its fiscal 1972 appropriation calls for 247 people and an expenditure of almost \$1.7-million. Under the present structure, 23 persons report to the Chief of Service. This results in a lack of work planning and scheduling.

Parking in the capitol complex — especially when the Legislature is in session — is one of the division's most critical problems. Grounds maintenance is a credit to the division while building appearance depends on the effectiveness of the individual custodial crew. Some buildings are in a state of very poor repair. Allocation of office space is not well defined or effectively carried out.

The central mail and supply room operations are well managed, although mail handling is excessive

and too many route schedules are maintained. There is also an inordinate amount of handwritten records kept in this operation. The switchboard personnel are well qualified and efficient.

The surplus property operation does not handle all property for the state. Prohibition of trade-ins severely restricts the sale of scientific or special equipment. However, the operation does provide a uniform method to dispose of excess property on a periodic basis.

RECOMMENDATIONS

56. Reorganize the Division of Service.

The present organization has 23 individuals reporting to the Chief of Service. Work planning and scheduling are minimal. There is no operations manual, no methods and procedures group, and no central reproduction and printing services facility. The maintenance crew is fragmented and the grounds crew understaffed. A chart showing the present organization is given below.

For greater effectiveness, higher standards must be set in regard to goals and objectives. Superintendents for buildings and grounds and building maintenance would be installed to coordinate and manage these functions. More effective liai-

son with the Building Commission would also be possible. A superintendent for office services and a supervisor for surplus property sales are also proposed.

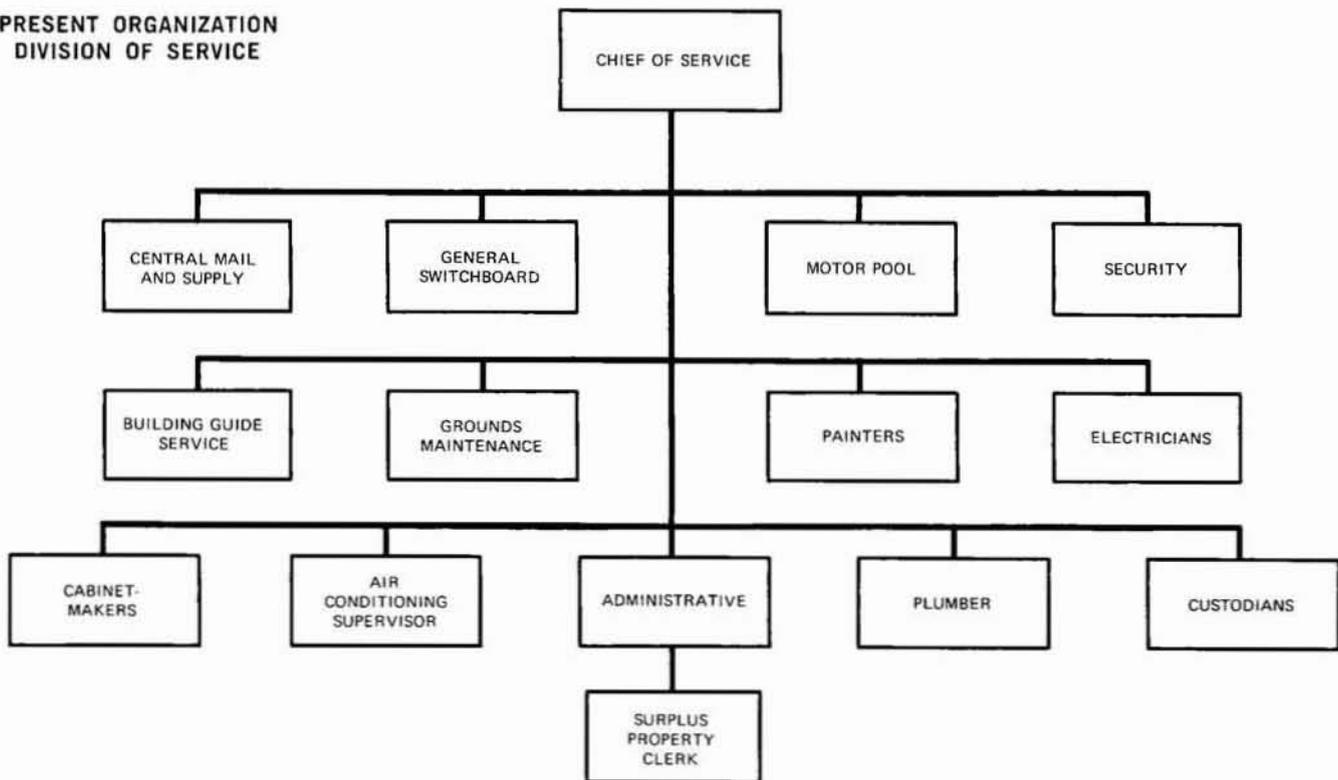
In the custodial services area, several positions should be eliminated and janitorial supplies standardized. A chart of the proposed organization is shown on the next page. Creation of four new supervisory positions will entail an annual cost of \$50,000. Reductions in custodial staff and coordination of janitorial supplies will provide an annual saving of \$254,000.

57. Restructure the central mail and supply room operation.

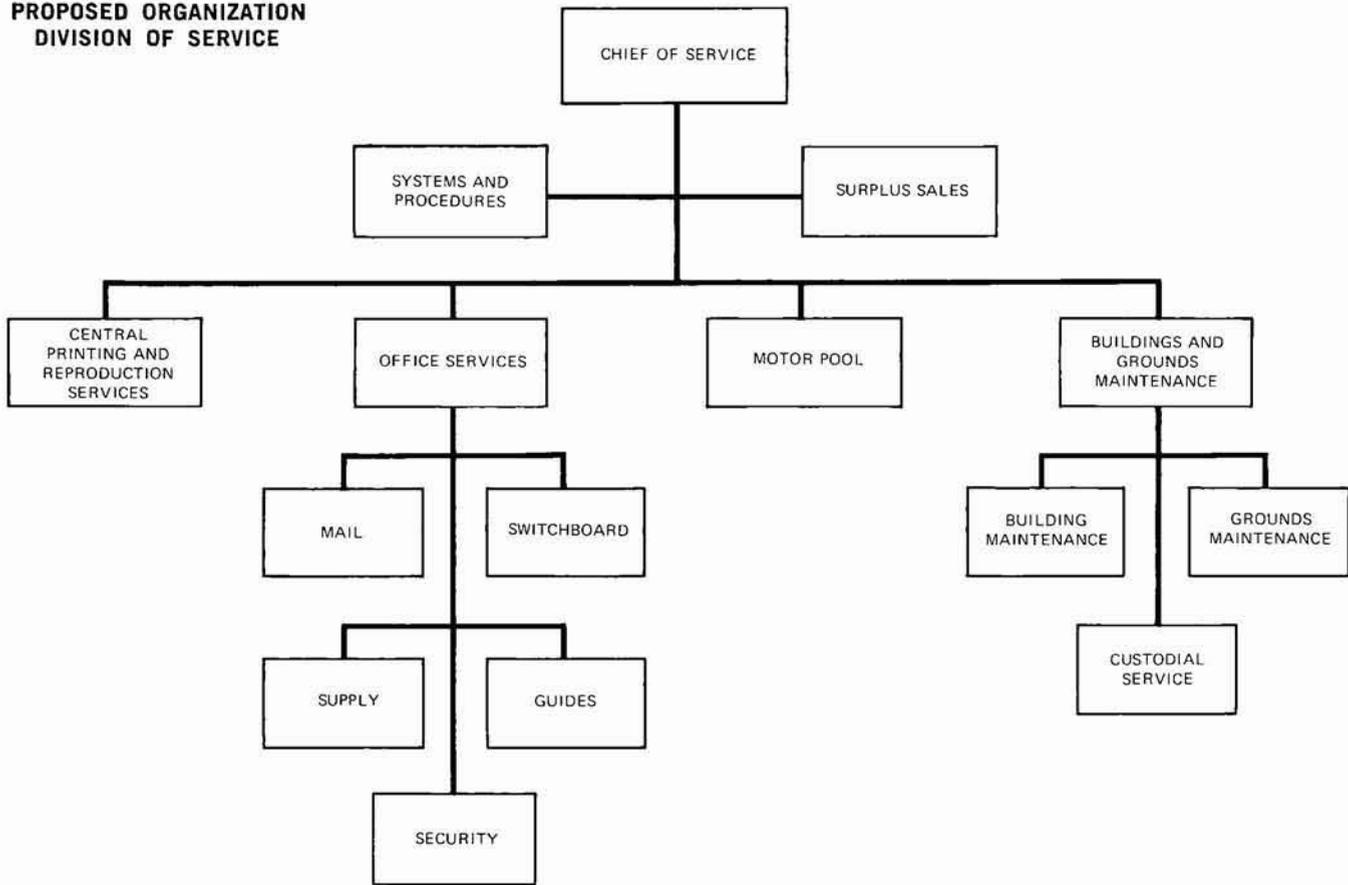
The mail and supply services are now located in the same area. Because of the location of sorting equipment, extra mail handling must be done throughout the system. In addition, mail pickups and deliveries are not efficient and result in excessive work load variations. Titles and duties in the mail room are not consistent. The supply operation is open too many hours per day. Accounting procedures are out of date.

An industrial engineering study should be performed to revise the equipment layout and mail

**PRESENT ORGANIZATION
DIVISION OF SERVICE**



**PROPOSED ORGANIZATION
DIVISION OF SERVICE**



schedule. Presorting mail at the source will eliminate some of the delivery delays now encountered. Titles and duties should be realigned for greater consistency.

The supply room should be open for one hour in the morning and afternoon. The rest of the time can then be spent putting up stock and taking inventory, making this a one-man operation. Adopting new accounting procedures to eliminate tabulation will also improve efficiency. Implementation will reduce staff requirements by seven positions for a total annual saving of \$36,600.

58. Restructure the Capitol Patrol.

At present, the patrol consists of 20 members headed by an acting chief. No patrolling is required on the day shift and specific parking duties are not assigned except to keep preferential spaces at the capitol building clear. There is no time clock system or training program. Patrolmen and watchmen perform identical functions, wear the same uniforms, and receive the same pay.

A patrolman is stationed at the Public Safety Building to keep the driveway open.

To improve the patrol's efficiency, several changes should be made. The force should be reduced to 12, all designated as patrolmen. The guard at the Public Safety Building driveway should be eliminated. A chief should be appointed for the day shift with no extra duty assigned to him during the legislative session. The police academy training program should be adopted for the patrol. A time clock system should be installed and patrol time of locked buildings reduced by 50%. All but two doors in the capitol building should be locked at night during legislative sessions.

The one-time cost of the time clock system is estimated at \$1,000. The staff reduction will provide an annual saving of \$52,300.

59. Eliminate the hostess from all buildings except the capitol.

The practice of maintaining a hostess has spread from the capitol to the other administrative build-

ings in the complex. While the capitol building hostess serves as a source of information for visitors, the other receptionists cannot be justified. Elimination of these unnecessary positions will provide an annual saving of \$20,600.

60. Establish a methods and procedures group in the Division of Service.

At present, there is no central agency equipped to develop uniform interdepartmental methods and procedures. Therefore, a methods and procedures group should be established to alleviate this problem. The annual cost would be \$65,000. Properly implemented, their work should result ultimately in a 10% reduction in the combined capitol complex budget to produce an initial annual saving of \$1.5-million.

61. Adopt modern accounting methods.

Each of the division's operating units spends a great deal of time generating manual accounting information. Preparation of warrants requires seven full-time clerks because of the amount of paperwork involved.

By introducing modern methods of cost accounting and using data processing equipment more fully plus utilization of small variance accounts, it should be possible to eliminate four clerical employees. The annual saving would be approximately \$27,400.

62. Permit trade-in sales of scientific and sole-source equipment.

At present, the state's agencies are not permitted to make trade-in sales. By amending governing statutes to exclude scientific and sole-source equipment from this prohibition, the state could realize an annual saving of \$25,000.

63. Revise surplus sales procedures.

Current procedures for disposing of surplus property are inefficient and do not return sufficient money to the state. Surplus property from all state agencies should be included in auctions held

in at least three different areas of the state. In addition, the number of such auctions should be increased where feasible.

Property to be disposed of should be cleaned, touched up, and put in operating condition. State trade schools and penal institutions should be used where possible. When available, a history of use of the surplus property should be provided by the agency to the auctioneer.

Instead of a flat fee, auctioneers should be paid a commission of 3%. The auctioneer should be required to provide all equipment, tickets, and personnel except for security employees and, if needed, auditors. He would also handle promotion and advertisements.

Adopting these procedures will reduce transportation costs for moving surplus property to auction sites, provide an improved means for smaller agencies to dispose of goods, and obtain faster conversion of surplus property to working capital. Putting property in operable condition and cleaning it should increase the sales price. Costs of the sale should be prorated before agency credit is given.

Implementation should provide an increase of at least 10% from surplus property sales. Based on 1971 figures, this would be an additional annual income of \$135,000. There would be an annual cost of \$50,000.

64. Construct a multilevel parking area at the capitol complex.

Parking facilities are totally inadequate and must be expanded to accommodate large numbers of tourists, business visitors, and state employees in the capitol complex. If tourism is to be encouraged, adequate parking must be supplied. The annual amortized cost of principle and interest to provide needed parking would be \$128,000. This would be partially offset by an anticipated annual income of \$120,000 to be realized through rental of parking spaces.

Personnel Department

This department is responsible for administration of the state merit system. It develops employment and promotion examinations, recruits qualified

candidates for state employment, and establishes schedules of compensation as well as position classifications.

PRESENT PRACTICES

The department is organized as an administrative unit under the Personnel Board. This three-member board is appointed by the Governor with the consent of the Senate to serve staggered terms of six years. The department consists of the Director of Personnel, three functional and an administrative division. It employs 31 full-time personnel in Montgomery. Fiscal 1971 expenditures were \$342,800 while requirements for 1972 are estimated at \$426,400.

The Recruitment and Examination Division prepares, administers, and grades tests for all merit system positions. During fiscal 1971, more than 300 examinations were conducted, 29,000 applications processed, and 15,000 persons certified as eligible for state employment. The Classification Division is responsible for identifying jobs, describing them, and specifying minimum requirements in terms of education, skills, and experience. The Placement and Records Division maintains personnel records and service ratings for all merit system employees. It also keeps an updated register of qualified applicants for state positions and audits the state payroll to certify that checks are issued only to state employees and at the prescribed pay range.

OPERATING EFFECTIVENESS

The department is oriented toward performing functions established by the 1939 Merit System Law. No significant improvements have occurred over the years. Therefore, the personnel procedures outlined by this law no longer appear suited to the present magnitude of state employment.

As the department's activities have increased, its contacts with state agencies have been reduced essentially to correspondence and recordkeeping. Paperwork is extensive and constitutes the main control to ensure that agencies abide by the merit system. Formal training is of a general nature only. A modernized personnel function is needed to develop objectives and provide professional assistance in planning broad employee programs. Staff support to agencies has been inadequate and should be expanded.

RECOMMENDATIONS

1. Realign the scope, functions, and objectives of the Personnel Department and modify the Merit System Law.

The Merit System Law was enacted in 1939 and little updating of it or the state's personnel ad-

ministration procedures has occurred since that time. The result is that vital department functions are being neglected while others consume unnecessary time. The existing system is so complex that it hinders rather than serves the state's needs.

The Personnel Department should establish itself as a central staff agency, responsible for initiating a uniform contemporary personnel program. Major areas of activity should include:

- ▶ Developing problem-solving personnel policies to increase employee productivity.
- ▶ Providing meaningful counsel to operating departments to reduce employee problems.
- ▶ Establishing modern employment practices to maintain high employment standards and satisfy the specific personnel needs of a hiring department.
- ▶ Providing a central source for coordination of statewide programs including benefits, training, and employee records.
- ▶ Planning for future employment requirements and developing employee skills to meet these needs.
- ▶ Evaluating present activities of the state work force to determine the effectiveness of personnel programs.

While savings cannot be quantified, significant cost reductions should result from improvements in management practices and increased efficiency.

2. Place all state employees under the functional control of the Personnel Department.

At present, employees of some government agencies are exempt from Personnel Department control. The result is an inconsistency in the manner of handling groups of employees. Discrepancies in administering the personnel function cannot be rectified until all state employees are under the control of the Personnel Department.

Savings through implementation cannot be estimated, but are expected in two areas. First, efficiency will be increased due to uniform personnel practices. Second, records can be maintained more easily on a statewide basis when forms and procedures are consistent.

3. Establish a position of professional recruiter in the department.

At present, recruiting is limited to internal announcements, walk-in applicants, and word-of-

mouth solicitation. To meet the state's growing need for qualified professional personnel, it is necessary to broaden the scope of the employment function to include an active search for qualified management and technical specialists. Implementation will cost \$30,000 per year, but should result in upgrading the capabilities of professional state employees.

4. Develop a field function in the department.

Considering the size of the state organization, contact between the employee of an agency and a central personnel function can only be maintained through a field personnel group. Field personnel administrators would serve two purposes. They would provide staff support to the agency's line management and also maintain consistency in statewide personnel policies.

Implementation would allow the Personnel Department to develop overall policies and objectives and still establish effective contact with individual state employees. Long-term savings are expected as a result of increased efficiency.

5. Discontinue testing as the primary means of screening applicants for state employment.

The testing, as it is now done, consumes a large amount of time and produces no absolute results. Therefore, written tests should be reduced to a minimum and greater emphasis placed on personal interviews.

Reducing the staff now engaged in testing will provide an annual saving of \$28,000. However, the primary benefit will be the improvement in screening techniques by the use of personal interviews. Implementation should greatly reduce the amount of dissatisfaction expressed concerning current job candidates.

6. Revise the limitation on applicants made available to fill state vacancies.

The present system requires an agency to select one of the three top candidates on a particular register when filling a vacancy ("rule of threes"). This limitation often results in agency dissatisfaction with the available candidates.

The system should be revised so that the Personnel Department would serve as a central agency for notifying state employees of new vacancies. It would then compile the records of interested candidates. After a general screening, the entire list of potential applicants, and their records, would be turned over to the hiring agency.

Implementation will eliminate the necessity for using the present point system of qualification determination. Additional time will be required to administer this program since more communication with the hiring agency will be needed. However, this should be more than offset by the increased speed in filling a vacancy as well as the greater acceptance of new hires in a department or agency.

Dropping the "rule of threes" limitation will eliminate the need for one clerical position. The annual saving is estimated at \$5,100.

7. Discontinue the practice of giving excessive employment preference to veterans over other qualified citizens.

Under the merit system, veterans receive excessive employment consideration in the state's hiring process over other qualified citizens. This may result in less qualified candidates being hired. Therefore, such consideration should take precedence only when other qualification factors are relatively equal.

8. Improve the method for establishing job classifications and initiate a standard job evaluation plan.

Classifying positions for salary purposes is a formal procedure only to the extent that written job descriptions exist which specify basic requirements. The assignment of a position to a pay range is left to the administrator's experience rather than application of a standard job evaluation plan. The result is confusion and dissatisfaction on the part of state employees. Therefore, a standard job evaluation plan should be developed and implemented.

Each agency would evaluate its own classifications subject to final approval of the Personnel Department. The agency would be responsible for updating classifications and the Personnel Department would review them on a statewide basis.

Implementation will provide a greater acceptance and understanding of this necessary function. In addition, it will provide time needed by the Personnel Department to develop a smaller number of job classifications.

9. Establish a formal complaint system.

A complaint system serves as a major communication channel between employees and management. Therefore, the state should establish a formal system for airing employee complaints.

The first step would be a discussion with the employee's immediate supervisor. If the problem is not solved, the agency director or his designated representative would be involved. The third step would be a hearing by the Personnel Department. The final recourse would be a meeting with the Personnel Board.

At no time would an employee be allowed to circumvent one of these four steps. Although no specific savings are claimed, an improvement in employee morale should result.

10. Establish and utilize a State Manpower Planning Committee.

State employees are not being properly utilized. Although the Personnel Department is the logical source for manpower control, this objective cannot be accomplished without agency support. Therefore, a State Manpower Planning Committee should be established with members consisting of various agency directors. With staff support provided by the Personnel Department, the committee would decide upon courses of action and implement them within their own organizations.

Areas of planning should be directed toward reducing turnover, estimating future staff requirements, eliminating duplications or inefficiencies of manpower utilizations. Reliable sources estimate that 5% of the annual state payroll could be saved. This would amount to \$6-million per year, but only \$3-million is being claimed.

11. Institute a statewide manpower development program.

At present, adequate programs to upgrade employee skills or develop candidates for future state needs do not exist. Training is limited to basic supervision courses and on-the-job instruction covering specific duties and responsibilities of present assignments.

Manpower development programs should be established based on needs indicated by employees and supervisors. When a specific program is authorized, a representative of the Personnel Department should provide staff assistance to organize and administer the training. Competent instructors may be present within the state organization. When instruction from outside sources is required, the Personnel Department should coordinate the teaching activity.

Costs of coordination and staff support will be absorbed as part of the operating expenses of the

Personnel Department. Potential savings cannot be quantified.

12. Establish and enforce performance standards for state employees.

Although an employee appraisal system now exists, it accomplishes little. One of the most widespread complaints among state personnel is that it makes little difference in career status whether an employee excels in his job or is only a marginal performer. Therefore, the proposed State Manpower Planning Committee should seek to establish minimum standards of performance.

The guidelines should deal with areas such as attendance, punctuality, quantity and quality of work, and cooperativeness. Employees who do not meet minimum standards should be counseled. If this does not produce satisfactory results, they should be downgraded or terminated. Increases in salary should also be geared to performance. Savings should be significant and have been included in a previous recommendation.

13. Eliminate the practice of manually certifying the state payroll by name.

The Director of Personnel is required by law to ensure that salary payments are made only to state employees at the correct rate for a particular classification. At present, this responsibility is carried out by manually checking the state payroll name by name.

Several more efficient alternatives exist. The payroll could be checked by exception, noting only individuals who were affected by a change during the pay period. Another method would be to establish a control amount for the entire payroll with an audit made if the totals did not balance. Establishing some form of improved certification will reduce clerical requirements by two positions. The annual saving is estimated at \$10,100.

14. Eliminate payroll deductions for personal insurance and forbid soliciting during office hours.

As a fringe benefit, the state has allowed employees to pay for personal insurance through payroll deductions. In addition, insurance agents are permitted to solicit clients during state office hours.

Discontinuing payroll deductions will provide an annual saving of \$10,000. However, the major advantage will be in eliminating the wasted man-hours caused by solicitations.

15. Restructure the department's recordkeeping system.

Present recordkeeping methods require much duplication in handling and posting. Therefore, during the realignment of the Personnel Department's activities, each record should be reviewed to determine the most efficient processing method as well as the possibility of elimination.

At the state level, only basic employee information need be kept. When action is called for, the agency or department involved can forward the necessary data.

A records retention program should be established to periodically purge files of outdated material. Also, methods for storing information on computer tapes or discs should be investigated. Implementation costs should be offset by potential savings.

16. Discontinue the unit records operation in the Personnel Department and program the data processing function for use on existing computer equipment.

Data processing in the Personnel Department is limited to the capabilities of its unit record equipment. None of the information is programmed for computer applications. Budget approval has been obtained for the purchase of EDP equipment for the exclusive use of the department. While an EDP capability is vitally needed for the personnel function, sufficient capacity already exists on underutilized equipment in the capitol complex.

The annual cost of service from the Department of Finance's computer center would be approximately \$3,400 per year. Canceling plans for the Personnel Department operation would provide an annual saving of \$55,000.

17. Cease publishing names and addresses of state employees annually in a newspaper.

The Merit System Law requires that the names and addresses of all state employees be published on the first Monday of each year in a daily newspaper. This practice produces no benefit to the state or its taxpayers and should be discontinued. Implementation would provide an annual saving of \$2,100.

18. Make retirement at age 65 mandatory for state employees.

Retirement at age 65 is an accepted practice in business and industry. In fact, the trend has been toward even earlier retirement. The state's com-

pulsory retirement age is now 70 although the employee can request an extension.

At present, 200 state employees are over 70, at least 600 are more than 65, and an additional 1,800 are 60 or older. While it is recognized that some employees can make valuable contributions past age 65, the majority tend to become less effective. Lowering the retirement age also will provide younger employees with more advancement opportunities and give them a chance to contribute to the overall efficiency and effectiveness of state government.

To implement this proposal while preventing hardship, a transition period is recommended. First, employees aged 63 and above should be notified of the change. At the beginning of the first year, employees age 70 and older would retire. During the next two-year period, any employee reaching age 70 will be retired on that date. After two years, all employees age 65 or older will be terminated. This would allow affected employees a reasonable period to prepare for the change.

It is estimated that 20% to 40% of the vacancies left by retirements would not require filling. Also, those vacancies which should be filled will be occupied by employees in lower pay ranges. The long-term annual saving from implementation is estimated at \$1.5-million.

19. Extend the waiting period for annual leave eligibility to six months.

The practice of requiring only one month's wait to be eligible for an annual leave is not in line with personnel practices in most states and private enterprise. Extending this period to six months would be more practical and provide an annual saving of \$527,000 by reducing vacation benefits for employees who remain with the state for only a short time.

20. Discontinue the practice of opening the state employees' hospitalization plan to competitive bids each year.

Opening the plan to annual bids does not allow the carrier to establish a reliable experience factor and results in increased administrative costs. Significant benefits can be gained by remaining with the same carrier for three to four years. Allowing the contract to be written for longer periods of time should provide an annual saving in premiums of approximately \$15,000.

Department of Examiners of Public Accounts

This department examines and audits the books, accounts, and records of all state and county offices, officers, bureaus, boards, commissions, corporations, departments, and agencies. It also prepares the systems, procedures, records, and forms which are required to provide a uniform accounting and reporting system throughout the state.

PRESENT PRACTICES

The Chief Examiner is appointed to a term of seven years by the Legislative Committee on Public Accounts. The committee also exercises general supervision and control over this official who appoints an assistant chief examiner, legal counsel, and other personnel as needed. At present, the staff totals 104 of which all but 20 work in the field.

The department consists of the County Audits and State Audits Divisions. Both are headed by a supervisor and the state itself is divided into seven geographic areas, each managed by a district supervisor. Field examiners conduct audits and examinations with beginners working under the supervision of more senior examiners. An additional division is being considered to handle examinations and audits for schools of higher learning.

Department expenditures for fiscal 1971 totaled about \$1.3-million. Approximately 79% of this amount was for salaries and the staff level has grown at the rate of 4% for each of the past five fiscal years.

The effectiveness of department activities is measured by the number of audits, which may cover more than one year, completed annually as well as the collections certified to government agencies as a result of examinations. Reports on examination findings are prepared internally and copies mailed to appropriate parties. After the copies are received, a report is also put on display in the department for public examination.

OPERATING EFFECTIVENESS

In general, the department is competently managed and executes its responsibilities in an ob-

jective manner. Methods for reporting examination results are consistent and the department takes the initiative in recommending needed legislation such as the Competitive Bid Law.

Staff utilization and department expenditures seem to be reasonable. However, opportunities do exist for updating certain techniques and procedures. Field personnel work out of their homes and have only limited contact with supervisors. Staff meetings, except at the supervisory level, are not held.

Audit reports are published in a standard format which furnishes considerable detail because of the allocation of revenues between various funds and government units. Working papers do not include appraisals of the internal controls used by the unit being audited.

Although the department is required to recommend and enforce procedures to improve accounting and reporting methods, it has not used its power to enforce compliance if needed information is supplied in some form or other. Annual reports on department operations are filed with the Governor and the Legislative Committee on Public Accounts. However, no audit is made of the department except a prepayment examination of expenditures to verify mathematical accuracy and budget compliance.

RECOMMENDATIONS

1. Conduct an independent audit of the Department of Examiners of Public Accounts.

State law provides that government offices, bureaus, boards, commissions, institutions, agencies, and departments must be examined and audited by the Department of Examiners of Public Accounts at least once every two years. However, no provision has been made for an audit of this department.

The Division of Control and Accounts preaudits the department's expenditures for mathematical accuracy, legality, and budget compliance. The State Auditor conducts a postaudit by examining the records of the Division of Control and Accounts. Sound business practice would require

a review by an independent public accounting firm to be engaged by the Legislative Committee on Public Accounts on a periodic or selective time schedule.

While the accounts of the department should be examined periodically, the primary purpose of the review should be directed to the department's audit programs and operational procedures. The cost of conducting a review is estimated at approximately \$25,000.

2. Initiate a program to review and evaluate existing accounting and reporting systems.

The department has the power to prescribe uniform systems of accounts for all state, county, and local government units and to require standard reporting systems and forms. While the department does encourage standardization, no program of forms control has been administered. Although government units are required to provide records which contain certain information, the department permits a variety of presentation formats.

The department has recently reviewed and adopted the Classification of Accounts for County and City Boards of Education, Junior Colleges, and General Hospitals and Nursing Homes. As a long-range goal, it should design, develop, and approve modern accounting and financial reporting systems for all state, county, and local government units including educational agencies.

The department should also provide instruction manuals covering accounting and posting instructions, revising those now in existence. A uniform manual would aid materially in developing better public records. This would, in turn, reduce the time required for audits.

3. Use historical data to develop time budgets for audits.

The file copy of an audit report contains a record of the actual manhours spent on each phase of the examination. Properly used, this information could serve as an effective management tool for an audit supervisor to budget audit times.

It is recognized that time budgets must be used with care. They should be accepted only as guides with due consideration given to the ability of the field auditor as well as abnormalities which may exist in the records being examined. The feasibility of using such budgets in complex audits would have to be studied.

4. Revise the content of the audit program manuals.

Existing manuals normally contain an editorial index guide, audit checklist, and financial schedule samples. The proliferation of federal programs has made many of these manuals obsolete while some agencies rely solely on historical audit work papers.

The manuals are needed to guide field auditors, but they should reflect the most current technical developments to be truly effective. Revising the manuals will require a one-time expenditure of \$2,000.

5. Continue the systematic increase in the field audit staff.

A portion of the field audit staff will be needed to implement recommendations regarding the development of instruction manuals and forms and procedural improvements. However, a sudden influx of trainees to supplement the personnel still engaged in auditing activities will only slow current progress. By increasing the staff in a systematic manner, new employees can be adequately trained and qualified men can be re-assigned to the proposed development work.

6. Include an analysis of internal control procedures and operating techniques in the audit report and reduce the number of detailed financial statements.

The editorial content of audit reports includes general information on the unit, scope of the audit, exceptions, recommendations, charges against officials, and opinion of the auditors. Detailed financial statements of various functions and responsibilities of the agency are also included in the report.

The reports present the facts as they are found and opinions not related to the records examined are not included. Data interpretation is left to the reader. The financial information summarizes the revenues and expenditures of the unit being examined while verification centers on the prevention of fraud. Legislative intent is also verified, but not conformance of statements to accepted accounting principles. State units are not audited annually and it takes several months for report preparation. By reducing the financial detail provided, report preparation time could be significantly reduced. Consideration should also be given to including an opinion on internal control procedures and operating techniques of the unit

being audited. This would allow the readers to form a more balanced judgment regarding the unit's success in meeting its service objectives.

7. Include a review of departmental utility invoices in audit report.

During a review of department accounting procedures, errors were noted in several utility invoices. Copies of rate schedules should be obtained and all utility invoices checked before payment is made.

8. Give certain governing boards the option of being audited annually by either the Department of Examiners of Public Accounts or independent public accounting firms.

The alcoholic beverage control, state docks, colleges, universities, and mental health operations in the state are under the control of governing boards. These agencies have substantial revenues from services, fees, tuitions, and donations.

Since their activities are complex and unique to the particular services performed, certain commercial business techniques should be applied to these operations. Therefore, the governing boards should have the option of being audited annually by either the Department of Examiners of Public Accounts or independent public accounting firms.

9. Reduce the cost of audit reports by using internal equipment for imprinting and purchasing equipment to be used for punching and collating.

Paper stock for reports is now purchased imprinted with headings, titles, borders, and legends and prepunched at a total annual expenditure of \$15,600. The department's multilith press could be used to provide the necessary imprinting. In

addition, purchase of a paper drill will eliminate the need for buying prepunched stock while the addition of a mechanical collator will speed report assembly. The one-time cost is estimated at \$1,500. Implementation will provide an annual saving of \$11,200 and better utilization of the pressman's time can be made.

10. Consider conducting annual staff meetings at the regional level.

At present, field auditors have bi-weekly contact with their district supervisor, but little personal contact with the headquarters personnel. Staff meetings should be held at least once a year to remedy this situation.

The seven districts could be combined into three regions for the purpose of holding the meetings and the Chief Examiner, state supervisors, and at least one legal counsel should attend. Expenses are expected to be offset by improved efficiency resulting from open discussions of problems and better communications.

11. Obtain necessary job description revisions from the Personnel Department.

Job descriptions currently used by the department should be reviewed and necessary revisions made by the Personnel Department.

12. Record the department's equipment inventory on punched cards.

Department equipment is distributed to various field examiners and inventories are maintained in a notebook by purchase date. When the equipment is retired, the item is lined out. By establishing a coding structure and entering equipment data on punched cards, it will be possible to analyze the inventory more rapidly in various sequences rather than by purchase date alone.

Department of Revenue

This department supervises and controls the assessment and collection of taxes and licenses assigned to it for administration. It is headed by a Commissioner of Revenue who is appointed by the Governor and is a member of his cabinet.

PRESENT PRACTICES

The department has a staff of 688 employees and a current annual appropriation of almost \$9.5-

million. Total collections for fiscal 1971 were approximately \$618-million.

The Sales and Use Tax Division collects monthly sales taxes from more than 75,000 accounts and quarterly use taxes from 10,000 accounts. Field personnel are used only for audits. The Income Tax Division collects personal and corporate income taxes, estate, and financial institutions' ex-

cise taxes. It has experienced an 8% growth for the past several years and now processes more than one million returns annually. The Field Division handles all tax matters which cannot be settled by correspondence.

Offices are maintained in nine cities and the Enforcement Section has men located at strategic points throughout the state to arrest tax law violators if necessary. Field activities are centered around delinquent accounts and specialized tax audits. Arrests are usually for motor carrier violations and tobacco tax evasions. The Motor Fuels Tax Division administers and collects a variety of taxes. Temporary trucker's permits are automatically processed 24 hours a day via Western Union teletype. Other activities are handled through correspondence with various wholesale distributors.

The Tobacco Tax Division administers state and many local tobacco taxes as well as playing cards and alcoholic beverage license taxes. It is under the supervision of the head of the Field Division. Cigarette stamps provide 97% of its revenue. The Franchise Tax Division administers 15 types of taxes levied on corporations and appraises and assesses railroad and utility properties.

The Ad Valorem Tax Division assists local assessing officials on property tax matters, assesses shares of stock of domestic corporations, and sells or redeems real estate sold for taxes. Recent changes in legislation and court decisions may result in a complete change of this division's activities. The License Tax Division is responsible for motor vehicle licenses of all types, severance taxes on forest products, coal and iron ore, and 170 business and occupational licenses. Other operations include the Accounting and Duplication, Legal, and Research, Statistical, and Liaison Divisions.

OPERATING EFFECTIVENESS

This department is very efficient and its employees work hard to keep pace with an ever-increasing work load. Administration of the state's tax laws is difficult because of the multiplicity and complexity of the laws which have been enacted. A critical problem is the shortage of space while inequitable pay classifications hamper the recruitment of qualified personnel. Several sections are operating below strength for this reason.

Lack of space and personnel has forced the utilization of the most modern data processing and

paper handling equipment available. Most opportunities for savings or increased revenues are based on changes in areas usually outside the control of department managers.

RECOMMENDATIONS

1. Provide additional space for the Department of Revenue.

The Department of Revenue occupies 63,385 square feet of office space in the State Administration Building. This amounts to an average of 1,275 square feet per employee, but much of it is used for storage and electronic facilities. The department needs at least another 18,000 square feet to relieve the current overcrowding. A proposal has been made to move some divisions to another building. This would result in a loss of efficiency because of the physical separation of the department's units.

Providing the necessary space in the State Administration Building—either through a new wing or by moving other small departments to a new location—would cost approximately \$49,000. However, there would be an overall gain in productivity of at least 5% in the department. The estimated annual saving would be \$289,100.

2. Permit the department's field employees to serve papers in cases involving delinquent taxes.

When the state is unable to collect delinquent taxes through its administrative procedures, it obtains liens against property or institutes garnishment proceedings. The papers must be served by the local sheriff, a source of added delay and expense. If papers could be served by department field employees, the process would be simplified and many collections could be made when the papers were served.

3. Use lower classification employees to screen income tax returns and refer only questionable ones to examiners.

All tax returns are reviewed by office examiners to ensure proper application of the law. The work load averages 500 per day from February through June for each examiner. About 90% of the returns are accepted as filed.

This heavy volume makes it impossible for examiners to do adequate cross-checking. By employing 15 temporary people with lower classifications to screen all returns, the examiners could limit their attention to questionable or in-

correct filings. The annual cost would be \$70,000. The annual income is estimated at \$814,000, or twice the amount of collectible revenue now found by examiners.

4. Dispose of confidential papers by shredding and baling.

After the retention period has elapsed, old tax returns are burned. Burning is cumbersome, presents security problems, and creates air pollution difficulties. Therefore, a shredder and baler should be purchased to process documents into salable waste. Savings are expected to offset costs.

5. Increase the size of the out-of-state audit section.

This section is responsible for collecting taxes due from out-of-state operations. The group collected more than \$2.7-million in fiscal 1971 and it is estimated this amount could be doubled if sufficient qualified personnel could be obtained. Because the auditors would have to work away from home for long periods, the section's personnel budget should be tripled and higher paying classifications established for employees working out of the state. The estimated increase in annual income would be approximately \$2.74-million. The annual cost would be \$638,000.

6. Issue motor vehicle tags to government units every three years.

The state issues about 22,000 motor vehicle tags to government units annually. The \$1 charge does not cover processing costs. Issuing semipermanent tags every three years will provide an average annual saving of \$11,000.

7. Increase the cost of special and replacement tags to \$3.

More than 30,000 of these tags are issued annually. The \$1 charge only covers a portion of the processing expense. By increasing the fee to \$3, an additional annual income of \$60,000 will be provided to cover costs.

8. Adopt a sequential numbering system for tags.

In Alabama, each county's motor vehicle license tags are identified by a special number. To avoid depleting their stock, an overrun of 10% is made for each county. This system makes it more expensive to manufacture and segregate tags for each county. Adopting the uniform tag numbering system would make it possible to save \$80,000 per year in manufacturing expenses.

9. Utilize the State Highway Patrol to enforce truck and other motor vehicle license tag laws.

The department's Enforcement Section consists of 12 men. During 1971, they issued more than 3,000 citations for motor vehicle tag violations and made over 200 arrests. The resulting tax collections amounted to more than \$140,000. However, it is estimated that over \$2-million annually is not collected because of the lack of sufficient enforcement personnel. By assigning the enforcement function to the State Highway Patrol, the state should realize an annual income of approximately \$2-million.

10. Sell special tags to individuals for automobile identification.

A special charge of \$25, in addition to the cost of the license tag, should be made for specially imprinted tags with letters instead of numbers. Tags are limited to six characters of which no more than two are numbers. Many states offer this service as a means of producing additional revenue. The estimated annual income from implementation would be \$250,000.

11. Reduce commissions paid to businesses which collect sales and use taxes.

Retail establishments are paid for collecting sales and use taxes. In 1971, an average of more than 2% on the amounts collected was paid in commissions. This is excessive compared to amounts allowed by many other states. Therefore, the rate should be reduced to a flat 1%. The annual saving will be approximately \$2.5-million based on fiscal 1971 commissions.

12. Increase the penalty for delinquent sales tax payments to cover collection costs.

Small retailers are often delinquent in submitting sales tax collections. The law provides a maximum penalty of 15% of the amount owed. Often, this does not cover the cost of collecting the tax. Therefore, minimum penalties should be raised to \$5 for collections handled by mail and \$10 if a personal call is made. The additional annual income is estimated at \$57,600.

13. Require a bond be secured by firms which are not self-insured before they are given a sales tax account number.

Many organizations with few assets collect sales taxes from their customers, but are delinquent in remitting revenues to the state. If they go out of business, there is no way to collect the taxes

owed. To eliminate the problem, all businesses should be required to post a bond equal to six months' estimated taxes before being issued an account number. Implementation should provide additional annual income of \$300,000.

14. Reduce the commission paid to tobacco wholesalers and discontinue stamping all items except cigarettes.

At present, wholesalers receive a 7.5% commission for collecting cigarette taxes. Since the rate was established when the tax was much lower, it should be reduced to bring it into line with commissions paid for other taxes. In addition, since the revenue on items other than cigarettes amounts to only 3% of the total collected, it should be possible for wholesalers to collect these taxes without the use of a stamp. Reducing the cigarette commission to a more reasonable 1% will provide an annual saving of \$2.4-million.

15. Require interstate firms with large investments and operations in Alabama to pay a franchise tax.

Several large interstate firms, such as pipeline distributors, have been exempted from the franchise tax because they were not considered as doing business in the state. However, most of them derive income from sales in the state and should pay the tax. Other states require this. It will provide an annual income of \$1-million.

16. Require nondomestic firms using facilities financed by municipal industrial bonds to include the value of the facilities in establishing franchise tax bases.

Federal and state rulings indicate that the value of such facilities should be included when out-of-state companies set their franchise tax base. Establishing this requirement will provide the state with additional annual income of approximately \$1-million.

17. Increase the charge for a certificate of good standing to \$5.

Certificates of good standing are issued upon request to show that a firm is current on all licenses, fees, and taxes required by the state. The charge for processing the certificate is \$1 which is insufficient to cover the costs involved. Therefore, it should be increased to \$5 to provide an annual income of \$2,500.

18. Discontinue the issuance of annual corporation permit fee certificates.

A corporation permit fee is levied on all firms doing business in the state. It ranges from \$5 to \$100 and a certificate is issued annually to show it has been paid. The certificate itself serves no useful purpose and is sometimes mistaken for an invoice causing duplicate payments. Discontinuing its issuance will provide an annual saving of \$20,000.

Building Commission

The commission has broad powers to acquire land and provide buildings and facilities for use by the State of Alabama or any of its institutions or agencies.

PRESENT PRACTICES

This commission has 12 members. Its work is carried out by the technical staff, consisting of the director, chief architect, chief engineer, and various technical, administrative, and clerical assistants. The current staff is composed of 19 people, but this varies with the magnitude of construction projects in progress.

Appropriations are provided by the general fund and monies transferred from building authorities

created to initiate specific construction projects. The current appropriation is \$233,800 of which \$125,000 is from the general fund.

The prime function of the technical staff is to ensure a high level of architectural services for all state agencies by exercising supervisory authority over various projects. Work is divided into architectural, engineering, and administrative areas.

OPERATING EFFECTIVENESS

The commission does not have sufficient money or personnel to perform all of its assigned functions. For example, it does not review plans and specifications for hotels and theaters as required

by statute nor has it established and enforced a minimum standards building code. The department does need increased strength in the area of engineering, particularly in the mechanical and electrical fields.

RECOMMENDATIONS

1. Realign the technical staff.

With implementation of a new \$10-million bond issue for school construction, duties of the technical staff will be increased. However, there is little hope of adding to the current staff.

Therefore, the following changes should be made to improve the commission's effectiveness. The deputy director, three construction supervisors, and construction coordinator should be eliminated for an annual saving of \$55,700. In their places, the commission should hire a mechanical and an electrical engineer and raise the salaries of the remaining construction supervisors. The annual cost will be \$41,100. The engineers will provide needed dimensions in the technical staff and the construction supervisors should be relocated in strategic areas to provide better state coverage.

2. Change the policy of paying state funds first on matching fund projects.

It is the custom on jointly financed projects to pay out the state's share before expending other funds. It would be preferable to word contracts so that, whenever possible, disbursements would be made from other funds prior to or concurrently with state payments.

Implementation will allow the state four months' additional investment time. Investment at 4% should provide an annual income of \$266,700 at current construction cost levels.

3. Bring all architectural and engineering activities dealing with building planning and inspection under the direction of the Building Commission.

The practice of various departments maintaining separate architectural and engineering operations should be discontinued. All such duties should be transferred to the Building Commission.

Implementation will require an increase in the technical staff. However, the end result will be a decrease in manpower levels. The potential saving cannot be quantified at this time.

Building Authorities

Building authorities are corporations created by the Legislature to arrange the financing and construction of a specific building program.

PRESENT PRACTICES

Authorities are usually composed of the Governor, Director of Finance, Attorney General, and other state officials if appropriate. All serve without additional compensation and two members generally constitute a quorum. Principal duties of the authorities are set forth in the acts which create them. Usually, this includes the power to issue bonds, invest the proceeds until funds are needed, and employ attorneys, architects, and agents as necessary.

OPERATING EFFECTIVENESS

Creating authorities is an effective way to obtain funds for a specific capital outlay. However, there is a need for improved interim investment of the

proceeds from bond sales. Also, a concerted effort should be made to raise the rating of Alabama's bonds in Moody's.

RECOMMENDATIONS

1. Take steps to have Moody's raise the rating of Alabama state bonds.

Bonds issued by Georgia, Florida, Mississippi, and Tennessee are rated AA by Moody's. Alabama bonds are only rated A, except for Public School and College Authority Revenue Bonds which are rated AA. Raising Alabama's rating from A to AAA—the level for bonds issued by Maine, Illinois, and Missouri—would reduce the interest rate by 0.3%.

Assuming a conservative annual issuance of \$50-million in bonds, this would produce a saving at a rate of \$150,000 per year, cumulative so that, at the end of 10 years, the total saving would be \$1.5-million annually. An increase to AA would

produce an annual saving of \$100,000, cumulative to approximately \$1-million in 10 years.

2. Transfer the responsibility for timely investment of bond proceeds to Alabama's State Treasurer.

One of the duties granted authorities is the power to invest bond proceeds until funds are needed. This should be a responsibility of the State Treasurer. Such proceeds should not be permitted to become demand deposits since only 50% of the money will earn interest. Assuming only one month's use on bond proceeds, the estimated an-

nual income would be \$166,700 through timely investment.

3. Adopt the use of an encumbrance system for all authorities.

Authorities have been created to sell bonds and disburse the proceeds for capital projects. At present, project accounting records do not include provisions for encumbrances. As funds are allocated, the ensuing obligations should be charged against the project involved. Use of an encumbrance system has the advantage of recording committed as well as uncommitted funds.

Bureau of Publicity and Information

The objective of this bureau is to attract tourists to Alabama through the distribution of information and publicity releases.

PRESENT PRACTICES

Supplemented by temporary help for peak periods, the present staff of nine promotes tourism in Alabama. Participation in regional travel shows is one method used. The bureau also conducts national advertising campaigns and mails tourism packets to those requesting information.

Direct contact with those interested in Alabama is also possible through a recently installed WATS service. Brochure distribution through national automotive and motel associations is another area used to promote tourism.

It receives a general fund appropriation and 25% of the revenues collected for the Lodging Tax. For fiscal 1971, bureau funds provided by the tax totaled \$472,000. Overall expenditures for the same period were \$680,000 including approximately \$400,000 in advertising costs. The director is assisted by an advisory board of 16 members.

OPERATING EFFECTIVENESS

The bureau functions reasonably well, although operations suffer when regular staff members are manning state booths at travel shows. Manual compilation of statistical information concerning advertising campaigns is time consuming and measurement techniques used to calculate tourist dollars are inexact.

This bureau cooperates with other departments and tourist attractions to promote Alabama's recreational facilities and points of interest. However, it is restricted in the amount of services it can offer because of the lack of staff writers, artists, and graphic layout personnel.

RECOMMENDATIONS

1. Change the bureau's name to the Alabama Tourist Bureau.

The present name — the Bureau of Publicity and Information — causes confusion because it implies a broader scope of activities than just tourism. Changing the name as proposed will eliminate the problem.

2. Transfer publicity and information functions to the Alabama Development Office.

The state should have a professional publicity group with diversified capabilities to support the activities of other state agencies and the Alabama Development Office. In addition to professional writers and photographers, the office should be authorized to establish a central graphic arts facility. Potential savings through the elimination of current fragmented operations cannot be quantified at this time.

3. Assign members of both legislative houses to the bureau's advisory board.

The present board consists of four Executive Branch representatives and 12 members of organizations representing tourist-oriented businesses. Legislative representation on the board will pro-

vide important liaison between the bureau and this governmental body.

4. Discontinue the financing of special promotions which no longer need support.

In the past, the Legislature has provided seed money to develop promotional ventures in the state. Most of the organizations which have received these grants are now established and self-supporting. Therefore, contributions should be redirected to new programs to promote tourism. The annual saving is estimated at \$46,000.

5. Operate the bureau from a single fund.

The bureau now receives a general fund appropriation as well as a portion of the Lodging Tax revenues. Recordkeeping and control would be simplified if bureau appropriations and expenditures were assigned to a single spending unit. A cumulative reduction in general fund expenditures of approximately \$150,000 would have been possible if unencumbered cash from the tax trust fund had been used for bureau expenses paid from the general fund.

Alabama Development Office

This office was formed to provide master plans for the development of the state's physical, economic, and human resources. It collects data to encourage industry expansion and participates in implementation of local, state, and federal assistance programs.

PRESENT PRACTICES

The office employs about 70 people and has an operating appropriation of approximately \$1.6-million. It is divided into three units. The Office of State Planning formulates long-range plans and policies for the orderly and coordinated growth of the state. It also acts as a clearinghouse for all federal grants.

The Industrial Development Division promotes state industrialization by encouraging expansion of firms doing business in the state as well as the entry of new companies.

The State-Federal Programs Division administers Federal Appalachian Regional Commission funds to the 35 north Alabama counties covered under the program. It also searches for matching fund opportunities.

OPERATING EFFECTIVENESS

The Office of State Planning is currently in the midst of a reorganization which should improve its operations significantly. Under the new structure, 35 functions will be grouped into four basic categories of grant administration, program services, intergovernmental affairs, and state plans. Some personnel changes are also needed within this office.

The Industrial Development Division should establish a set of employment standards to ensure that only qualified people are accepted into the organization. Although it is a relatively new activity, it seems to be progressing well and should be assured of adequate funds with which to carry out its responsibilities.

The State-Federal Programs Division is understaffed in the area of fund management. As a result, specialized attention cannot always be given to vast projects and maximum use may not be made of available federal funds.

RECOMMENDATIONS

1. Emphasize planning programs leading to state government reorganizations and program budgeting.

The following objectives have been set by the office for fiscal 1973 and activities in the Office of State Planning should be directed to achievement of the following criteria:

- ▶ Set state goals and objectives.
- ▶ Define programs.
- ▶ Eliminate duplicate activities within the government structure.
- ▶ Fill voids which become apparent in defining programming.
- ▶ Provide the legislation to support necessary programs.
- ▶ Establish a comprehensive management information system.

- ▶ Implement a program budget and evaluate performance.

Additional emphasis should be concentrated on the cross-reference program of state activities and state agencies with the functions listed. This would point up the redundancies and gaps in state government which could lead to reorganization and streamlining. It would also permit program budgeting and an evaluation of performance which appears to be sorely needed.

2. Expand the planning reference service.

This service provides current information on federal and state programs, services, and technical source documents. It should be expanded to provide a central data information system to serve all levels of government and educational institutions with facts and statistics relating to the state.

3. Establish a statewide group of volunteer speakers.

The proposed speakers would be available to address organizations upon request to keep them informed on the programs and services of the Alabama Development Office.

4. Hire a specialist in federal legislation and liaison.

There is a pressing need for expansion of federal liaison to substitute for individual department efforts to keep up with the various areas of responsibility. A state representative would provide earlier and better understanding of the impact of federal actions upon the state.

With the growing possibilities for federal revenue sharing, implementation takes on even greater potential. The cost would be more than offset by the increased utilization of federal resources.

Retirement Systems

The Employees Retirement System was established in 1945 to provide benefits to most state employees. The Teachers Retirement System, initiated in 1941, provides benefits to most educators whose salaries are paid from public school funds.

PRESENT PRACTICES

The two systems are separate entities, operated by individual Boards of Control. These boards, however, elect a common secretary/treasurer to serve as chief executive officer. Principal duties of this official include:

- ▶ Operation of the retirement systems in accordance with the provisions of the law and regulations of the governing board.
- ▶ Investment of monies contributed by employees and the state.

Each system elects an investment committee consisting of three board members. This committee considers all recommendations made by the secretary/treasurer in regard to investments. Total receipts for the two funds have grown from \$21-million in 1961 to more than \$86-million in 1971. This includes both contributions and income from investments. Investments for the period from Oc-

tober 1, 1970 to September 30, 1971 totaled approximately \$66-million of which 75% was in fixed income securities and 25% in equities.

OPERATING EFFECTIVENESS

The administrative function is efficient although costs have more than doubled in the last 10 years. Despite the increase, Alabama compares very favorably in administrative cost per member with other states which provide retirement systems.

Investments are not producing a yield comparable to industry. State law restricts the equity portion of the portfolio to 20%, but the actual investment averages only 8%. The combined funds hold 49 different positions in common stocks. Most were purchased for yield rather than growth, thus restraining capitalization and future reductions in state contributions. Purchasing larger blocks of bonds than is currently done would decrease the administrative load and reduce the safekeeping responsibility.

There is approximately \$2.6-million invested in tax-free bonds which produce little income for a tax-free pension fund. Brokerage commissions were in excess of \$450,000 during fiscal 1971. Several of the firms used provide research information, good execution, and investment advice.

Additional advice is provided by a bank trust department for an annual fee of \$11,500.

RECOMMENDATIONS

- 1. Require that legislative proposals affecting the retirement funds be accompanied by actuarial estimates on all of the state's future contributions.**

Changes in retirement plans without information on future costs can be detrimental to present members and result in future state liabilities. Requiring an actuarial projection of costs on all proposals would help prevent this.

- 2. Eliminate the fund's authority to invest in tax-free bonds.**

There is no benefit to a tax-free pension fund in holding tax-free, low-yield municipal bonds. Eliminating the authority to invest in such securities will protect the investment officer from political pressure and provide opportunities for investments in higher yield securities.

- 3. Sell municipal bonds and reinvest in corporate bonds.**

There are \$2.5-million in municipal bonds which should be sold at a loss of approximately \$400,000. Taking the loss into consideration, reinvesting in corporate bonds at 7% will produce an increase of 1.1% in the total income over the life of the sold bonds. The increase will amount to \$389,000 or \$25,900 per year.

- 4. Negotiate a lower actuarial charge based on retirement participants.**

The present charge of \$7.50 per person is relatively high and should be renegotiated to approximately \$5. The fee is based on volume and, with the growth in state employment levels, the lower rate would be more equitable. The annual saving is estimated at \$5,000 based on 2,000 retirees per year.

- 5. Reduce the number of common stock issues and increase the percentage of common stocks held.**

The large number of issues now held prevents the investment officer from taking advantage of daily market changes. The number of issues held should be reduced and the percentage of common stock investments increased. At present, only 8% of the fund's book value is in common stock.

- 6. Change the present investment management procedures.**

Investment management is the most important aspect of public retirement systems. Although contributions to the funds have grown appreciably, the return on investments has only been nominal. Retirement boards are not properly equipped to deal with funds of any great size. Therefore, professionals should be retained to provide investment management capabilities. Some actions which could be taken include:

- ▶ Study the feasibility of retaining an investment management firm to handle the portfolio on a performance basis.
- ▶ Remove administrative responsibilities from the investment officer so he can devote all of his time to the investment requirements of the funds.
- ▶ Ensure that a qualified investment officer is ready to succeed the incumbent upon his retirement.

Improving the investment management function should increase the combined yield by at least 1%. A general accepted rule of actuaries indicates that for every 1% increase in earnings, there will be a reduction in the state's contribution by 24%. Based on the state's contribution of \$23.6-million in 1971, implementation can produce future annual savings of almost \$5.7-million.

Department of Insurance

This department regulates insurance companies operating in Alabama, collects premium taxes and various other fees, and examines applicants for licenses as agents, brokers, solicitors, and adjustors. It also makes fire safety inspections and handles arson investigations.

PRESENT PRACTICES

The department is administered by the Commissioner of Insurance. As of February 1972, the department had a total of 53 employees. General fund appropriations for fiscal 1972 amounted to \$486,500.

The Property and Casualty Division approves and maintains files on all property and casualty insurance rates and forms used by the approximately 450 companies which do business in the state. Information about approved rates and forms is provided upon request.

The Examination Division conducts field examination of all domestic insurance companies at least once every three years. Foreign companies doing business in the state are reviewed through a reciprocal arrangement with the National Association of Insurance Commissioners. This division maintains files on policy forms and rates for life and accident and health insurance carriers.

The State Fire Marshal, assisted by nine deputies, handles fire safety inspections and arson investigations. The Administrative Section is responsible for license issuance. It collects more than \$400,000 annually in fees and charges for other services.

OPERATING EFFECTIVENESS

The Department of Insurance is performing effectively within the limits of its powers to regulate the insurance companies operating in the state. There are some areas where performance could be improved. A change in office procedure would shorten the time from receipt of revenues to deposit with the State Treasurer. Also, the department's organizational structure plus an awkward physical layout limit the free flow of work.

Further use of purchased data processing would speed certain operations and reduce personnel needs.

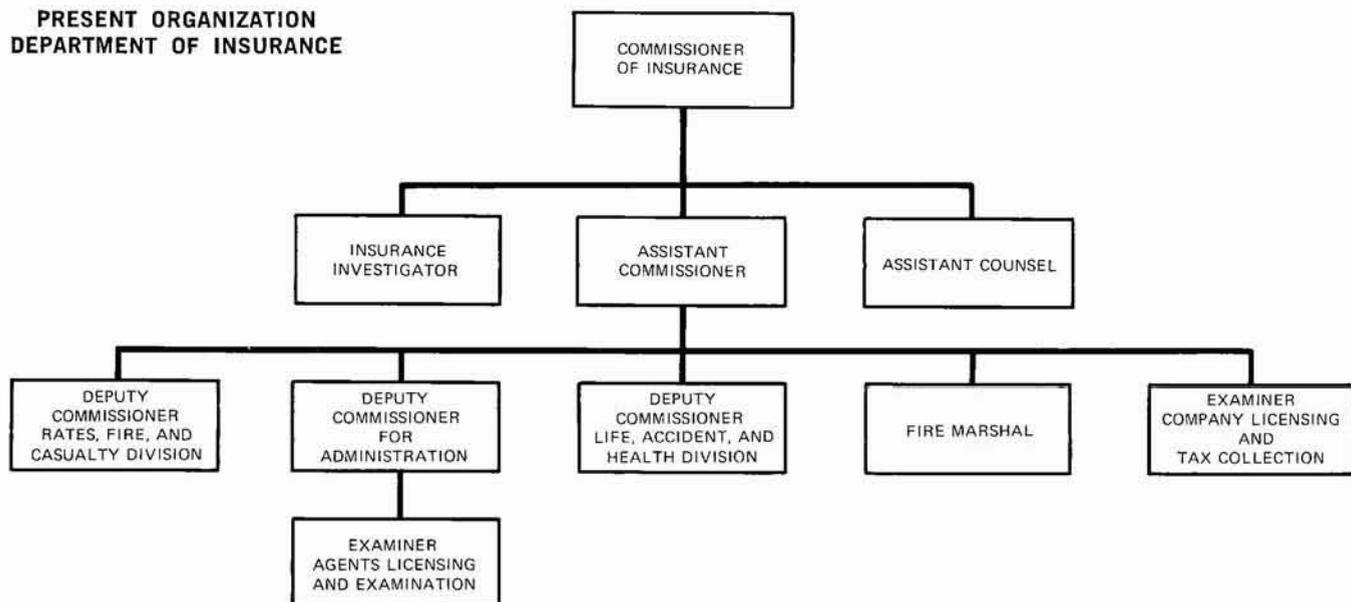
RECOMMENDATIONS

1. Reorganize the department to improve lines of authority.

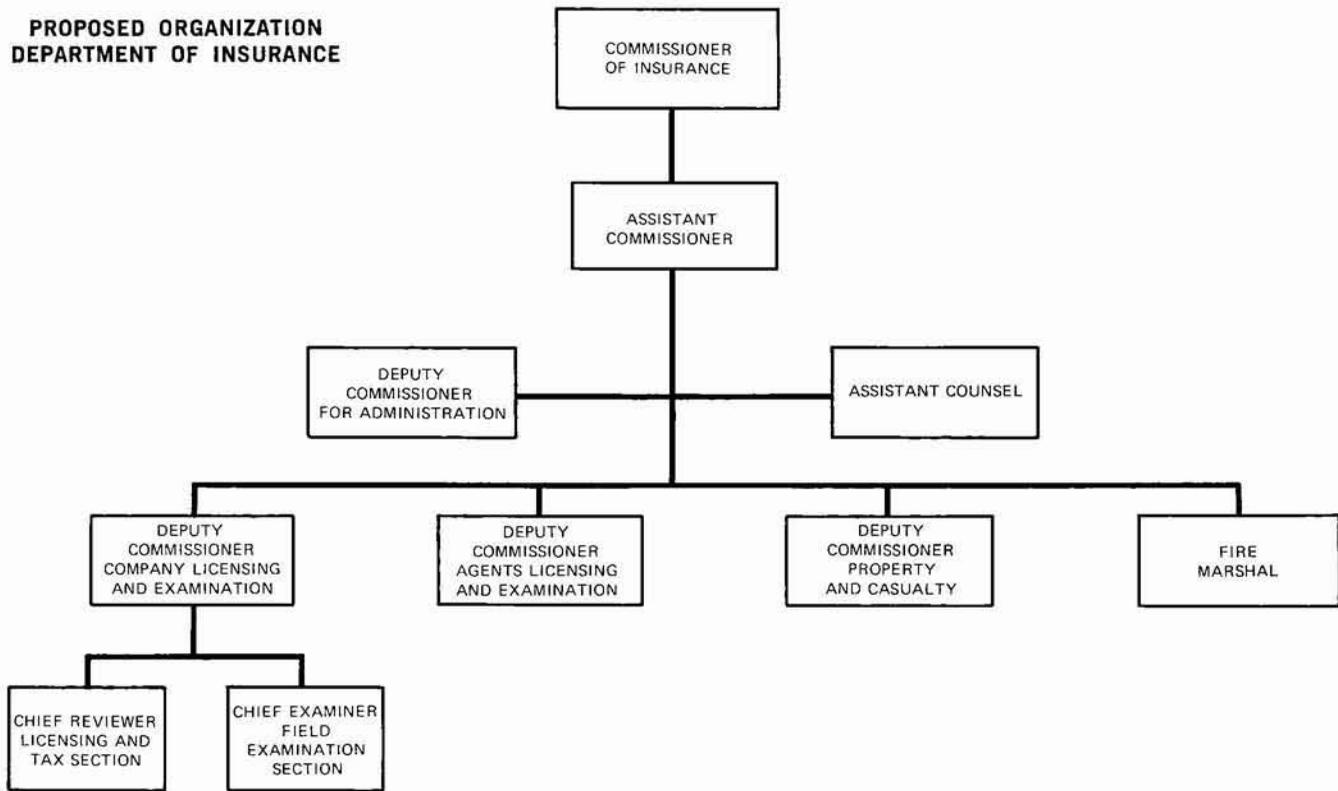
A chart depicting the present organization of this department is shown below. Under this existing structure, the Insurance Investigator and the Assistant Counsel report directly to the Commissioner. The staff function of administration is now shown as a line function and is directed by a deputy commissioner.

To improve the department's lines of authority, a reorganization — illustrated in the chart on the next page — is proposed. The realignment would include staff positions reporting to the Assistant Commissioner for both the Assistant Counsel and the Deputy Commissioner for Administration. Agent licensing and examination would become a line function under a deputy commissioner. The Deputy Commissioner, Rates, Fire, and Casualty Division, would become the Deputy Commissioner, Property and Casualty. The Deputy Commissioner, Life, Accident, and Health Division, would be changed to the Deputy Commissioner, Company Licensing and Examination. The Examiner, Company Licensing and Tax, would function as the Chief Reviewer, Licensing and Tax Section and a Field Examination Section would

**PRESENT ORGANIZATION
DEPARTMENT OF INSURANCE**



**PROPOSED ORGANIZATION
DEPARTMENT OF INSURANCE**



be added reporting to the Deputy Commissioner, Company Licensing and Examination. The Insurance Investigator would then report to the Chief Reviewer.

2. Improve the auditing procedures now used by the Department of Insurance.

At present, the department uses a handbook from the National Association of Insurance Commissioners as its guide in making field examinations.

A supplemental auditing procedure should be established to determine if all license fees and premium taxes have been paid to the state. Under present accounting methods, it is not possible to compute the magnitude of these unpaid fees and taxes. Therefore, the savings to be attained by the state through implementation cannot be quantified at this time.

3. Determine the feasibility of self insurance for employee fidelity bonds.

The state spends considerable amounts of money to provide certain employees with fidelity bonds. A study should be made to determine whether or not a state self-insurance fund would be more economical.

4. Collect the premium tax from insurance companies operating in Alabama on a quarterly basis.

At present, this tax is collected annually. In fiscal 1971, the department received more than \$24-million in premium taxes. Collecting on a quarterly basis would allow the state to use about \$18-million for approximately six extra months each year. Investing one-half of this amount of premium tax at 4% will yield an income of \$180,000 per year.

5. Impose penalties on insurance companies doing business in Alabama for late report filing and delinquent tax or fee payments.

In fiscal 1971, approximately 25% of the revenues from premium taxes and license fees were deposited 20 days after the due date. Imposing a 1% penalty for each 30 days, or fraction thereof, that a payment is late should reduce delinquencies and produce additional income of about \$5,000. In addition, a fine of \$100 per day should be imposed on insurance companies which file late annual reports. No estimate has been made of the additional income which could be realized by the state from this source.

Department of Labor

This department promotes voluntary settlements of labor disputes. It also determines minimum wage rates to be inserted in state contracts for construction projects and assists employees in collecting unpaid compensation.

PRESENT PRACTICES

The Director of Labor is appointed by the Governor. His staff consists of an assistant and a secretary. Two field offices, each with a secretary, are maintained for the use of the department's two conciliators. Fiscal 1971 expenditures were \$103,000 and the fiscal 1972 appropriation is set at \$139,000. The department collects about \$500 a year in filing fees.

In fiscal 1971, the conciliators were involved in more than 300 labor dispute cases. The department assisted in the collection of some \$5,500 of the \$24,200 in wage claims filed.

OPERATING EFFECTIVENESS

The mediation services of the department duplicate those offered by the federal government. As a consequence, there is no way to determine the department's effectiveness in preventing work stoppages. Lack of a wage payment and collection law prevents the collection of a higher percentage of the wage claims filed.

RECOMMENDATION

1. Merge the Department of Labor into the Department of Industrial Relations.

The Department of Industrial Relations could absorb the mediation and wage collection services of the Department of Labor by adding the two conciliators and a clerical employee to its payroll. The annual cost for implementation would be about \$43,000. The annual saving would amount to \$139,000.

Department of Industrial Relations

This department covers many functions such as child labor, workmen's compensation, and safety and inspection. It has some 1,064 employees.

PRESENT PRACTICES

The department's Child Labor Division administers the Child Labor Law. It is staffed by a chief, three field supervisors, and three clerks. The division supervises 457 issuing officers who are primarily school superintendents, principals, and assistant principals.

The Workmen's Compensation Division administers the Workmen's Compensation Laws and is staffed with a chief, two examiners, and four clerks. In the year ending September 30, 1971, this division handled some 13,000 claims.

The Safety and Inspection Division confines its activities to ensuring safe working conditions in mines and industrial plants. It employs a chief, a mine inspector supervisor, five mine inspectors, one industrial safety inspector supervisor, five industrial safety inspectors, and four clerks. Headquarters are in Birmingham.

OPERATING EFFECTIVENESS

Effective September 1, 1971, the requirements for workmen's compensation coverage were reduced to include all firms with four or more employees. This increased the work load of the Workmen's Compensation Division by 25%. The possibility of merging this operation with the other two divisions appears feasible.

RECOMMENDATIONS

1. Combine into one division the inspection duties of the Child Labor, Safety and Inspection, and Workmen's Compensation Divisions with those of the Department of Labor dealing with the Williams-Steiger Occupational Safety and Health Act of 1970.

By combining the inspection functions of these operations within the Department of Industrial Relations, it would be possible to form a group of experienced inspectors who could provide more efficient statewide coverage with a reduction in administrative costs. The department is already staffed to adequately handle the addi-

tional responsibilities to be transferred from the Department of Labor. Savings should be considerable, but cannot be estimated at this time.

2. Provide a stub with the unemployment compensation check.

One of the eligibility requirements of the Supplemental Unemployment Benefits Plan is that a claimant must furnish evidence he has received a compensation check. In Alabama, the only acceptable method to accomplish this is for the employee to bring his check to the unemployment office before it is cashed. As payments now arrive in the mail on Saturday, most employees report to the office on Monday with their checks. This system is inefficient and works unnecessary hardships on the claimants. The situation could be remedied if the check format were changed to include a stub which could be presented as a receipt. Annual costs would be minimal.

3. Initiate an occupational safety program for state employees as a responsibility of the Department of Industrial Relations.

At present, only two individuals perform duties relating to employee safety in the state. To ensure an adequate safety program on a statewide level, a state safety officer should be appointed to the Department of Industrial Relations staff.

Initially, activities would be directed toward establishing lines of communication for standard investigation and reporting of occupational injuries or illnesses. These data will provide a base for evaluating the state's overall safety performance. Specific areas for control would be pinpointed and appropriate programs could be established. The annual cost is estimated at \$20,000, but this would be offset by the potential annual saving.

Peace Commission

This commission investigates persons, groups, and organizations engaged in activities which may be detrimental to the peace and dignity of the state.

PRESENT PRACTICES

The commission consists of a director, assistant director, and secretary. Its fiscal 1972 appropriation totaled approximately \$45,800. The commission works with the Committee on Un-American Activities of the U. S. House of Representatives and with the Senate Sub-Committee on Internal Security. It also acts as a coordinating body for police agencies in the state.

OPERATING EFFECTIVENESS

The commission is able to employ undercover agents to report on subversive activities in the

state's colleges and churches. While the staff carries out present activities efficiently, there are too few personnel to effectively monitor statewide activities.

RECOMMENDATION

1. Abolish the Peace Commission and delegate its duties to the Department of Public Safety.

Much of the information-gathering work of this commission is done by employees of the Department of Public Safety and various police agencies. All of this could continue to be done, but under the direction of the Department of Public Safety with present personnel. The functions of the commission should be transferred to the department for an annual saving of \$54,200.

Alcoholic Beverage Control Board

The purpose of this board is to promote temperance and to regulate the production, transportation, distribution, consumption, and sale of alcoholic beverages in Alabama.

PRESENT PRACTICES

To accomplish its purposes, the board issues permits to manufacturers selling alcoholic beverages; buys, warehouses, and sells alcohol through state

stores; issues licenses for the sale of beer and liquor; and enforces laws and regulations of the state cited in the Alcoholic Beverage Control Act.

The operation employs approximately 1,192 persons in eight divisions. These include the Administrative, Audits and Accounts, Data Processing, Warehouse, Merchandising, Stores, Beer Tax and Licensing, and Enforcement Divisions.

OPERATING EFFECTIVENESS

The present administrator is conscientiously and energetically attempting to cope with several basic problems, principally lack of management continuity. The overall effectiveness of the Alcoholic Beverage Control Board is questionable in the context of the potential profitability versus the actual profitability.

In the area of management practices, procedures vary from acceptable to marginal among the various divisions. Again, a lack of continuity at the administrative level contributes to continued inefficiencies and an absence of current procedural evaluations and long-range plans.

RECOMMENDATIONS

1. Increase the annual license fee for a retail beer outlet.

The present fee of \$10 does not cover processing costs and should be increased to \$75. The additional annual income is estimated at \$303,800.

2. Transfer the board's plane to the proposed aircraft pool.

Current use, which averages 140 hours annually, does not justify a full-time aircraft assignment. Therefore, the board's plane should be transferred to the aircraft pool, proposed in another section of this report, to improve its utilization rate.

3. Develop an accounting procedures manual.

There are no written accounting procedures to facilitate continuity of performance. A procedures manual should be developed, particularly since the accountant in the Audits and Accounts Division is nearing retirement.

4. Revise general ledgers to improve cash receipts reporting and better categorize income and liability accounts.

Currently, all revenue from liquor sales including tax, is recorded as operating income. Only the portion which represents the markup should be categorized in this way. Tax levies should be recorded as a current liability until distributed.

5. Negotiate cash discounts with distillers.

It is not uncommon for payments to distillers to take as long as 120 days. If the time lag could be shortened to 10 to 15 days, the ABC Board would be in a position to negotiate for cash discounts. Implementation would provide an additional annual income of \$1.24-million if a 2% discount could be arranged.

6. Review the costing and markup policy.

The present policy of an across-the-board markup of 25% does not reflect actual costs for all classes of merchandise. A cost accounting system and markup procedure should be devised to take actual costs into consideration and provide for a reasonable profit.

7. Study alternate methods for distributing wine.

Current accounting procedures make it impossible to assess the effectiveness of present wine distribution methods. However, available data does indicate excessive handling costs. It may be that removing wine from state stores and controlling distribution and sales in the way that beer is handled may be highly desirable.

8. Design a more meaningful monthly operating statement for the state stores.

At present, reports do not present data which would allow management to judge performance, gauge trends or evaluate store operations effectively. Therefore, a more meaningful statement should be designed with information grouped by store, county, and district supervisor. It should include:

- ▶ Taxes collected.
- ▶ Potential profit.
- ▶ Payrolls.
- ▶ Number of employees.
- ▶ Net operating profit.
- ▶ Totals of above data.

Reports should be reviewed with district supervisors and store managers.

9. Revise the salary schedules used for store personnel.

Store personnel receive the same salaries regardless of the efficiency or dollar volume of the facility. Establishing a classification system with pay tied to volume would provide better compensation for unequal responsibilities and motivate employees to improve their performance.

10. Remove county residency requirements for store employees.

This residency restriction prevents management from using its manpower resources effectively, creates an overstaffed system, and severely limits employee development on a system-wide basis. It should be abolished.

11. Establish a store classification system.

At present, there is no formal classification system of stores. Much information is available, but not in a usable form. Classifying stores by dollar volume in gross cost of goods sold would be an obvious system to provide for the comparison of similar operations. Implementation will assist management in making performance evaluations and operational revisions.

12. Develop a store staffing guide for all stores.

No current guides are used for staffing various outlets. Many stores are manned on an uneconomical basis as a result. Reorganizing store personnel within the guidelines of a properly designed schedule would reduce expenses, improve productivity, and provide better service. The annual saving to be achieved through implementation is estimated at \$640,000.

There are two self-service stores in the system. When they were converted to this type of operation, no adjustment was made in staffing levels. Therefore, a properly engineered guide should be implemented to set proper personnel levels for self-service operations.

13. Reassign the Merchandising Division as an operations management group.

One of the basic problems confronting the ABC Board is the lack of management continuity. The proposed group would engage in continuous reviews of operational effectiveness, supplying data to the various units, and following through on planned programs. The result will be a more efficient, effective system.

14. Reduce the number of brands listed.

An analysis of the case sales report for January 1972 indicates that the number of brands could be reduced from 240 to 131 with no adverse effect. Discontinuing unneeded brands will reduce inventory, increase stock turnover, and simplify control procedures.

Implementation will provide an annual income of \$40,000 by investing half of the \$2-million in freed inventory funds at 4%. The annual saving is estimated at \$50,000.

15. Determine the most effective method of transporting alcoholic beverages from distilleries to the ABC Board's warehouse.

A study should be made to establish the most economical means of interstate transportation for alcoholic beverages being shipped to the warehouse. Consideration should be given both to rail shipments and a state-operated trucking operation using leased equipment. The potential annual saving is estimated at \$58,500.

16. Implement a formal stocking policy.

Under the existing system, decisions regarding inventories are made without the benefit of formal guidelines. This represents a weakness in management controls. Therefore, a firm purchasing policy should be adopted to ensure equal treatment for all vendors and to eliminate slow-moving stock from the inventory lists.

17. Improve inventory layout in stores.

The existing arrangement has merchandise arranged on shelves in numerical order. Although it is designed to facilitate inventory taking, it results in many extra trips by clerks to pick up specific brands. Rearranging the layout to put fast moving items nearest the clerks would reduce order picking time. Implementation should increase productivity by 10% and save \$213,000 annually.

18. Establish a lower inventory level.

Current inventories are based on maintaining two months' supply in the warehouse and stores combined. The turnover rate for fiscal 1971 was only 4.2. Reducing inventory requirements to two weeks' sales volume in the stores and two weeks' volume in the warehouse should be more than adequate. The reduction would release approximately \$7.5-million for investment. At 4%, this amount would produce an annual income of \$150,000.

19. Rearrange the warehouse layout.

The existing arrangement necessitates double handling of merchandise. A properly engineered layout would provide maximum storage capacity, eliminate unnecessary handling, and provide a more efficient flow-through system. It would also reduce the amount of breakage resulting from excessive handling. Savings cannot be estimated at this time.

20. Relocate the warehouse operation to the Birmingham area.

All merchandise received comes to the Montgomery warehouse for distribution. Approxi-

mately 50% is trucked through Birmingham on its way to this facility and 56% of the total sales occur in the northern part of the state.

Moving the warehouse to the Birmingham area would provide an estimated annual saving of \$200,000 through reduced transportation and distribution costs. In addition, indications are that the northern portion of the state will experience the greatest population growth in coming years.

21. Eliminate the storage of supplies in the central warehouse.

The practice of storing paper bags and other store supplies in the warehouse is costly and inefficient. Such materials should be purchased as needed and shipped directly to the stores.

22. Reduce warehouse staff to an efficient, economical level.

The cost of moving a case of merchandise through the ABC warehouse was \$0.2665 during fiscal 1971. This does not compare favorably with similar operations in other states. Excessive costs are, for the most part, the result of inefficient manpower utilization.

Reorganizing and reducing the warehouse staff should reduce the per-case cost to \$0.179. The annual saving through implementation should be \$214,900.

23. Limit wholesale sales to specific days and hours.

There are 39 stores in the system which handle both retail and wholesale merchandise. This practice reduces the effective use of personnel and has been partially responsible for improper staffing patterns. Limiting wholesale activities to specific days and hours should make it possible to reduce personnel for an annual saving of approximately \$150,000.

24. Improve present scheduling and resupply procedures.

Inefficient make-up and dispatching of alcoholic beverages to resupply stores results in an exces-

sive number of undercapacity shipments and increased transportation costs. Improving the scheduling system, possibly with the use of a computer, could provide an average saving of \$0.10 per case for a total annual saving of \$18,000.

25. Discontinue operations of competitive stores.

Closing selected stores on the basis of proximity and profitability will have a two-fold effect. It will reduce operating expenses and should increase the sales volume of remaining outlets. Implementation should provide an annual saving estimated at more than \$1.14-million.

26. Discontinue operating stores with poor performance records.

Analysis shows the same stores have poor performance records each year. Most of them are two- and three-man operations, so reducing personnel expenses is not practical. Closing such stores would still provide the affected counties with an ABC outlet in the area. The annual saving is estimated at \$281,500.

27. Establish an agency system to replace low-volume stores.

Many stores are located in areas of low population density and cannot operate as efficiently as other outlets. Converting such facilities to an agency system would increase their profitability and enable them to operate more efficiently. The annual cost of a 5% commission to be paid such agencies by the ABC Board would be \$300,000. The annual saving is estimated at \$1-million.

28. Convert remaining stores to self service.

A self-service operation generates higher profits, provides more efficient service, and could result in higher volumes through impulse buying. The cost of converting the remaining outlets in the system to self service is estimated at \$640,000. Personnel reductions following implementation should provide an annual saving of \$2.4-million and an additional annual income of \$780,000.

Department of Veterans Affairs

This department aids and counsels veterans, their widows, dependents, and orphans in presenting claims for state and federal benefits.

PRESENT PRACTICES

The department is supervised by the State Board of Veterans Affairs. Members are appointed by

the Governor and serve without remuneration. The department is administered by a commissioner and employs 124 persons. It maintains an office in almost every county as well as claims and administration sections in Montgomery. The fiscal 1972 appropriation was \$944,500.

OPERATING EFFECTIVENESS

The department generates substantial publicity concerning veterans' benefits throughout the state. Although running awards total some \$15-million annually for Alabama, there is no way to determine what portion is attributable to department activities.

The Montgomery office maintains more than 420,000 records on veterans who have filed claims. Contracts have been made with two veterans' organizations to assist in presenting claims.

RECOMMENDATIONS

1. Consolidate and eventually phase out local veterans' offices.

At present, there are 63 such offices in Alabama. All of the services performed by the Department

of Veterans Affairs are available through the federal Veterans Administration. Therefore, a plan should be put into effect to consolidate these offices and eventually phase out the Department of Veterans Affairs. No dollar savings are claimed at this time.

2. Eliminate the headquarters' claim files.

The department maintains approximately 420,000 files in its Montgomery office on veterans who have filed claims. Since the material is essentially duplicated by the county facilities, this operation should be eliminated. The annual saving through the reduction of personnel and space would amount to \$23,500.

3. Discontinue contracts with veterans' organizations for claim presentation.

The department has entered into contracts with two organizations to present claims to the Veterans Administration at a potential annual cost of \$27,700. Since the department could handle the estimated work load with its present staff, these contracts should be canceled for an annual saving of \$27,700.

Military Department

This department was established by the state constitution in 1820. The Armory Commission provides armories, buildings, and equipment for all guard units in Alabama.

PRESENT PRACTICES

The Military Department administers the Army and Air National Guard under the command of the Governor. The Adjutant General, appointed by the Governor with the consent of the Senate, supervises military activities and property. His staff and organization are in accordance with federal regulations for such agencies.

The state appropriation for fiscal 1972 amounted to \$944,500. Federal funds for this period total more than \$41.3-million. Federal monies are administered by the Property and Fiscal Officer.

The work of the Armory Commission is accomplished through the staff and organization of the Military Department's State Property and Disbursements Division. The Installations Branch of

this division is responsible for construction of new facilities and maintenance of existing ones.

The Budget, Fiscal, and Property Branch does the bookkeeping and bill paying for commission operations. It also inventories all state property for the commission and the Military Department. More than 100 armories have been built since 1953 with a 75% reimbursement from the federal government. More are planned.

OPERATING EFFECTIVENESS

An evaluation of the Military Department would require specialized knowledge and is considered beyond the scope of this study. The Armory Commission appears to do a creditable job in discharging its responsibilities.

Some inefficiencies exist because of compliance with centralized purchasing, payroll, accounts payable, and personal property procedures. No annual reports have been issued for the past four years.

RECOMMENDATIONS

1. Establish a policy regarding rental of armory facilities.

Policy guidelines and a rental schedule are needed for the state to realize full benefit from the existence of its armory facilities. Rate schedules should be based on the expected direct costs associated with various types of use plus a proration of overhead expenses. Unspent funds should be transferred to the State Treasurer at the end of each fiscal year. The additional annual income from rentals is expected to be approximately \$50,000.

2. Change the budget format for the Armory Commission.

The budget format for this commission should be changed to show those categories of expenses

for which partial federal reimbursement is anticipated. The result would be a more informative report.

3. Audit utility bills for overcharges.

Expenditures for utility services are about \$250,000 annually. Auditing the bills for overcharges periodically could result in substantial refunds. Implementation will provide an annual saving of at least \$3,000, based on the initial sampling. This would be an exception to the procedures recommended elsewhere.

4. Raise the personal property inventory limit to \$25.

The present limit is \$10. By increasing this to \$25, thousands of items can be eliminated from the inventory. This would be an exception to the procedures recommended elsewhere.

Board of Corrections

This board controls and manages state penal and correctional institutions and is charged with operating a system of diversified prison industries. It also provides aid to cities and counties to secure humane and economic management of jails.

PRESENT PRACTICES

Penal operations are the responsibility of a commissioner appointed by the Board of Corrections. Special staff activities include correctional plans, investigation and inspection, religious services, and the field classification committee. As of January 1972, the board had approximately 623 employees. Expenditures for fiscal 1971 amounted to \$1,600 per inmate. The fiscal 1972 appropriation has been approved at more than \$7.7-million of which about \$5.9-million is from the general fund. Total inmate population, as of October 1971, was about 3,900.

Budget estimates are submitted biennially and represent a contingency fund allocation of approximately 60% of the total requirements. The remaining amount must be generated from prison industries. If the revenues fall short of the required 40%, expenditures must be curtailed.

OPERATING EFFECTIVENESS

The effectiveness of this board has been limited by the lack of management continuity in the

commissioner's office and the 60/40 budget procedure which requires that programs be curtailed when prison industry revenues fall short of the board's expectations.

Maintaining an adequate security force is another crucial problem. Excessive turnover has reduced the quality and quantity of inmate supervision and limited the needed control factor over the prison population.

Justification for additional prison industry services and supplies is difficult when the output is in competition with private industry because of legislative intervention.

RECOMMENDATIONS

1. Eliminate the contingency funding aspect of the biennial budget and provide an adequate annual appropriation for the board.

Approval of the board's budget requests results in a 60% funding allocation with the remaining monies contingent upon prison industry revenues. Obviously, when internal revenue is less than anticipated, approved programs and expenditures must be deferred. This practice should be eliminated and an appropriation provided that is not contingent on prison industry revenues. These revenues would be returned to the state's general fund.

2. Establish a Prison Industries Division in the Board of Corrections.

With a prisoner population which averages 4,000, significant opportunities exist for generating income from vastly expanded prison industries. Therefore, a Prison Industries Division should be established under a professional manager. He would be charged with developing a self-supporting program to identify those industries which would provide optimum revenue in the context of producing future employment opportunities for inmates and allowing them to participate in constructive work situations during confinement.

Areas for investigation of expansion possibilities include clothing manufacture at the women's prisons, schoolbook repair and binding, and truck tire recapping. An operation which should be examined with a view toward elimination is the farm activities conducted by the prisons. Implementation should provide an increase in annual income of \$2-million.

3. Establish a long-range planning program.

Currently, there are no long-range plans in existence to meet future board requirements. A program should be instituted to provide for future increases in prison populations, orderly replacement of equipment, and more efficient management of farm land and property. Plans should be reviewed and documented on a quarterly basis to provide management continuity.

4. Review factors contributing to the excessive turnover of correctional officers.

The turnover rate in this group is about 41%, so that maintaining an adequate security force has become a critical problem. In an attempt to recruit applicants, standards have been reduced to unacceptable levels. Therefore, a detailed study should be made of the wages, fringe benefits, and other employment conditions relating to correctional officers. The annual cost of appropriate adjustments is estimated at \$492,000.

5. Establish records on government commodities received by each institution.

At present, no records are available. Implementation of an information system would allow better use of this source of supply.

6. Qualify Atmore and Holman Prisons for U.S.D.A. food commodities.

Although these institutions have training programs, they do not meet the federal requirements which would qualify them for commodity par-

ticipation. By redefining the programs to meet the federal guidelines, these institutions could realize an annual saving of \$19,000 through lower food costs.

7. Bring the food service facilities at Draper, Tutwiler, and Atmore up to at least minimum standards of sanitation.

All three prisons have food service functions which fail to meet minimum sanitation standards. In particular, the freezers and coolers need extensive renovation. Steps should be taken to improve these facilities immediately. The one-time cost is estimated at \$30,000.

8. Improve the internal budgeting, accounting, and reporting procedures for farm crops.

The board lacks an integrated system for preparing budgets, maintaining accounts, and making internal reports on its farm crops. Installing an adequate system would provide input/output ratios, statistical data and comparisons for cost control, and information for evaluating management performance at the end of the crop year. Implementation should provide significant savings, but no estimate can be made at this time.

9. Institute modern farming techniques.

Once accurate cost data on producing a crop have been generated, estimates of future costs and yield values per acre can be used to assign acreages to obtain maximum return. It is estimated that use of modern farming techniques could raise the average yield by 20%. Implementation would cost approximately \$25,000 per year and should generate an additional annual income of \$250,000.

10. Set up a continuing maintenance program for all equipment and facilities.

Although there are sufficient maintenance personnel to handle repairs, supplies are often delayed as much as six months. A continuing program of preventive maintenance should be established with standard repair parts made available on an emergency purchasing basis. Approval should be required from the deputy commissioner only. Implementation will increase overall efficiency.

11. Provide sufficient cleaning materials to maintain minimum sanitary standards.

Cleaning materials are shipped every two weeks, but not always in sufficient amounts. Therefore, ample supplies should be provided to meet minimum sanitary standards. Increased costs should

be more than offset by reducing potential sanitary problems and related illnesses.

12. Make monthly sanitation inspections of all state facilities.

At present, board personnel inspect sanitary conditions in the state institutions. These inspections should be carried out by qualified personnel from the Department of Public Health with reports sent to the deputy commissioner of the Board of Corrections for needed action.

13. Institute a system whereby surplus equipment can be sold as needed and monies reinvested in required materials.

Legislation should be enacted to allow the sale of surplus equipment by prisons with the monies

reverting to the penal system fund. This would allow upgrading of present equipment and establish a uniform system of surplus equipment disposal.

14. Encourage lawmakers to become personally acquainted with institutional needs before they propose legislation affecting them.

In most cases, legislators have no personal knowledge of the requirements of this board and the institutions under its control. Legislative personnel should make on-site visits to facilities before proposing laws or regulations which would affect them. This would provide a means for more effective budgeting and help the board maintain its facilities more efficiently.

Juvenile Correctional Schools

The state maintains three juvenile correctional facilities: the Alabama Industrial School, the Alabama Boys Industrial School, and the Alabama Training School for Girls. These institutions train and rehabilitate delinquent boys and girls through age 18.

PRESENT PRACTICES

Each school is managed by a board which retains a superintendent to attend to the administrative affairs of the school. The Alabama Industrial School is located in a rural area and trains an average population of 155 boys. There are 80 full-time and six part-time employees. Its fiscal 1972 appropriation is \$425,000.

The Alabama Boys Industrial School has an average population of 180. There are 76 full-time and six part-time employees. The fiscal 1972 appropriation—excluding federal funds and a building renovation appropriation—is \$612,800.

The Alabama Training School for Girls averages 95 students. There are 38 full-time and 13 part-time employees. Its fiscal 1972 appropriation is \$418,700 exclusive of federal funds. Each school provides an educational program designed to upgrade pupils in academic achievements.

OPERATING EFFECTIVENESS

The schools are well managed by competent executives. The per-pupil cost averages \$3,400 an-

nually while the national average is in excess of \$5,500. Employee turnover rates are high because the salary schedules are some 30% below those used for merit system employees in comparable jobs. Substantial capital expenditures will be required at each school within the next 10 years and some facilities need immediate attention.

RECOMMENDATIONS

1. Create a Youth Corrections Board to replace the three separate school boards.

The proposed board would replace the ones now managing the schools. Present boards would be retained as advisory groups. The first duty of the proposed unit would be to study the possibilities for consolidating school operations.

If a merger is feasible, considerable economies would result from increased operational efficiencies. Staff reductions would provide an estimated annual saving of \$71,000. Further savings would result by elimination of the need to construct duplicate facilities to replace the ones now in existence.

2. Discontinue the dairy herd operation at the Alabama Boys Industrial School.

Discontinuing this operation and purchasing unpasteurized milk which the school could process would provide an annual saving of \$1,100. There would be a one-time income of \$14,000 through

sale of the herd and an annual income of \$120,000 through leasing the 150 acres which now support this operation.

3. Discontinue storage of food for the Alabama Boys Industrial School in commercial facilities.

The school rents food storage facilities at an annual cost of \$1,500. Since it has the space for dry storage and has acquired a freezer, discon-

tinuance of this practice will result in an annual saving of \$1,500.

4. Change the lock system at the Alabama Training School for Girls.

Students are housed in private rooms which lock separately. This significantly increases the possibility of physical injury if a fire occurs. The estimated one-time cost of a system to unlock all doors simultaneously is \$4,000.

Board of Pardons and Paroles

This board grants pardons and paroles to adult prisoners in state correctional institutions, restores civil and political rights, and grants remissions of fines and forfeitures. In addition, it provides investigative and supervisory services to courts with probationary powers.

PRESENT PRACTICES

The board has three full-time members who serve staggered six-year terms. An executive director heads a staff of 153 employees, all merit system except for one administrative assistant. Its fiscal 1972 appropriation of almost \$1.3-million, including \$16,000 for office and automotive purchases was supplemented by matching federal funds of \$416,000.

The central office in Montgomery provides administrative and support services. There are 33 field offices, each with a minimum of one clerical employee and a probation/parole supervisor. These offices are organized into six districts, three in a northern and three in a southern division.

Each district is administered by a working supervisor; each division by an assistant director. The average work load for a probation/parole supervisor is 80 cases. Two men are assigned to the correctional institutions to gather information used in evaluating parole requests.

OPERATING EFFECTIVENESS

The board seems adequately staffed, but its work is hampered by a lack of background information gathered by professional psychologists and counselors. This same problem limits the board's effectiveness in making probationary investigations for the use of the court.

The increase in general fund appropriations and matching revenues provided by the federal government has allowed a reduction in the caseload per probation/parole supervisor from 300 to 80 cases. This is still twice the number which the executive director considers a desirable maximum for obtaining best results from the probation/parole system.

RECOMMENDATIONS

1. Change the number and manning level of the field offices.

Caseloads and clerical work levels in the field offices vary widely. By combining offices so that the clerical work load averages 200 cases per employee, at least eight clerks can be eliminated.

The offices in Birmingham, Phenix City, Talladega, and Mobile, where the supervisory caseload is about 100, should hire additional personnel. The annual salary for four supervisors will be offset by the annual saving to be achieved through eliminating eight clerks.

2. Increase the number of probation/parole supervisors to 126.

The present caseload per supervisor is 80, although 50 would be a more reasonable standard. With a reduced work level, more adequate supervision could be provided and a higher percentage of convicted persons could be placed on probation. The annual saving through reduced prison populations within the state's institutions is estimated at \$800,000. The annual cost of the additional supervisors would be approximately \$535,000.

Civil Defense Department

This department is dedicated to the protection of the people of Alabama in the event of a nuclear attack. Recently, coping with natural disasters has been added to its responsibilities.

PRESENT PRACTICES

The department trains civil defense personnel at the county level and furnishes material on the subject for junior high school, high school, and college courses. Funding is handled on a 50% matching basis with the federal government. The state appropriation is approximately \$138,500. Of the 31 employees, 25 are financed on a 50/50 basis by state and federal funds while the remaining six are paid entirely from federal monies.

OPERATING EFFECTIVENESS

The staff are dedicated career employees and the department's director provides them with effective leadership. The confidential secretary ap-

pears to have no assigned responsibilities and makes no contribution to the operation.

The Administrative Section is composed of two accountants and two clerks. One accountant handles federal funds. The other administers state appropriations.

RECOMMENDATIONS

1. **Eliminate the current position of confidential secretary.**

This position is completely unnecessary and should be abolished. The annual saving would be \$15,900.

2. **Combine the positions of field auditor and accountant in the Administrative Section.**

The duties are such that the accountant could handle the field auditing position without difficulty. The annual saving to be attained would be \$11,400.

Department of Public Safety

This department was created to enforce laws relating to the use of state highways.

PRESENT PRACTICES

The department is responsible for enforcing all laws and acts relating to motor vehicle operation, financial responsibility, drivers' licenses, and public highway rules of the road. Personnel are appointed by the director, subject to provisions of the state merit system.

The Department of Public Safety has five divisions. The Administrative Division provides support services to the other operating units. The Service and Supply Division is responsible for operation of the message center, issuance of supply forms, operation of the police academy, processing of supply requisitions, and maintenance of vehicles and buildings. The Enforcement Division enforces traffic laws and handles traffic control. The Drivers License Division examines applicants, issues licenses, and maintains records on all drivers. The Investigative and Identification Divi-

sion is responsible for criminal, subversive, vehicle theft, and narcotic investigations as well as fingerprint identifications.

The department employs approximately 1,109 persons and expended about \$8.6-million during fiscal 1971. Revenues were about \$5.9-million.

OPERATING EFFECTIVENESS

Generally, the department functions effectively in terms of conventional measurement. However, improvements are needed in certain areas. Factors which contribute to inefficiencies include:

- ▶ Compliance with central purchasing policies causes undue delay in procurement.
- ▶ Lack of continuity at the highest management level contributes to a lack of short- and long-range planning.
- ▶ Allocation of central office and storage space has not kept pace with department growth.
- ▶ Use of department men and cars as a taxi service reduces operating effectiveness.

- ▶ Tremendous backlogs are evident in the fingerprint card classification because of a lack of qualified personnel. Recruitment difficulties exist because of the inordinately low salary for such employees.

RECOMMENDATIONS

1. Adopt an appropriate fee schedule for processing drivers' license applications.

At present, no charge is made for processing and testing various applicants for licenses, regardless of how many attempts are made. It is recommended that the following fee schedule be put into effect to recover a portion of the administrative cost:

- ▶ Processing a driver's license application—\$2.
- ▶ Issuing learners' permits or motorcycle licenses—\$0.50.
- ▶ Processing applications up to the point of failure—\$0.50.
- ▶ Issuing duplicate licenses—\$1.50.

The total annual income to be realized through implementation is estimated at \$382,200. It is also recommended that the new license reinstatement charge be reviewed after it has been in effect for one year.

2. Use technicians rather than troopers to administer drivers' license examinations.

By utilizing technicians rather than troopers for the examination function, an annual saving of \$265,500 can be realized.

3. Change the procedure for drivers' license renewals.

Drivers' licenses are renewed every two years, expiring on the last day of the month of birth. Renewals are handled through a probate judge or license commissioner in the driver's home county.

A more efficient system would allow processing to be handled directly between the driver and the Department of Public Safety. With the addition of proposed data processing capacity, the department could expand the existing renewal notice to a card which could be returned with the fee by the applicant. Implementation would provide an annual saving of \$63,600 and an additional annual income of \$210,400 by eliminating commissions now paid to the probate judges and license commissioners.

4. Furnish the Drivers License Examination Unit with small, economy class cars.

Although this unit is assigned the same type of cars used by state troopers for highway patrol duties, their need for such equipment is nonexistent. Substituting small, economy class cars would provide a one-time capital saving of \$62,000 and annual savings of \$43,500.

5. Reorganize the criminal investigation unit of the department's Investigative and Identification Division.

This unit is overstaffed with supervisors. At present, there are 10 district commanders, five lieutenants, eight sergeants, two corporals, and two troopers. This should be revised to two captains, 13 sergeants, and 12 corporals. Implementation will provide an annual saving of \$27,100.

6. Transfer all narcotics and organized crime investigations to the Investigative and Identification Division.

At present, the Department of Public Health and the Intelligence Unit of the Department of Public Safety conduct narcotics and organized crime investigations which duplicate those of the Investigative and Identification Division. Transferring all such activities to this division would provide an annual saving of \$19,200 through personnel reductions.

7. Furnish the Criminal Investigation Unit with small, economy class cars.

This unit is also furnished with the type of cars used by state troopers for highway patrol duties. There is no need for such equipment and substituting small, economy class cars would provide a one-time capital saving of \$25,700 as well as an annual saving of \$18,000.

8. Increase the fee for estrays.

The current fine for straying animals is \$10 plus \$1 for each additional animal found at the same location. Increasing the fine to \$10 for each animal would help offset the cost of performing the round-up service. The additional annual income is estimated at \$4,500.

9. Establish a motor vehicle title law.

At present, Alabama is one of the few states which does not have a vehicle title law. Thus, there is no way to establish legal proof of ownership in the state. One result is that many stolen vehicles are transported to Alabama for sale. To eliminate this problem, a vehicle title law should be passed by the Legislature.

Banking Department

This department issues charters and licenses for state financial institutions. It also supervises banks, trust companies, credit unions, savings and loan associations, finance companies, and businesses which grant credit to ensure that they comply with the Alabama Consumer Credit Act of 1971 (Mini Code).

PRESENT PRACTICES

The Superintendent of Banks is appointed by the Governor for a four-year term. The fiscal 1972 budget authorizes a deputy superintendent; a supervisor, Bureau of Loans; a supervisor, Bureau of Credit Unions; 20 bank, 10 loan, six consumer sales, and three credit union examiners as well as nine stenographers and typists. As of January 1972, many of these positions, including the deputy superintendent and the two supervisors, were unfilled.

The fiscal 1972 appropriation is \$780,000, compared to the 1971 amount of \$440,000. The increase is primarily to provide a staff for the new Bureau of Credit Unions and to implement administration of the Mini Code. The department supervises 185 bank and trust companies, seven savings and loan associations, 894 finance licenses, 143 credit unions, and all credit sales activities which come under the Mini Code.

OPERATING EFFECTIVENESS

A law which requires two audits of state banks annually is met by accepting reports of the FDIC or Federal Reserve Bank examiners as one of the examinations. These agencies accept the state's reports as part of their investigation requirements.

Audits of some other types of financial businesses and credit unions are not even performed once a year. The department's effectiveness in this area is expected to improve when the Bureau of Credit Unions is completely staffed.

RECOMMENDATION

1. **Require banks and savings and loan associations to be audited and certified by a public accounting firm once during each fiscal year.**

In reviewing the operations and status of these financial institutions, the examiners divide their time between verification work to discover fraud and evaluations of current practices and policies. As a result, neither activity is being adequately performed.

Requiring an annual audit by a private firm will enable the state's examiners to concentrate on management practices and policies. This will ensure that the institutions will be able to effectively serve the banking needs of the state.

Licensing Boards

There are 17 independent boards which have been reviewed and which examine, license, register, and regulate those persons engaged in specific professional occupations.

PRESENT PRACTICES

The independent licensing boards recognized by the state include:

- ▶ Alabama State Board of Accountancy.
- ▶ Board of Registration for Architects.
- ▶ Board of Examiners for Basic Science.
- ▶ Chiropractic Examiners.
- ▶ State Board of Cosmetology.

- ▶ Board of Registration for Engineers and Land Surveyors.
- ▶ Board of Registration of Foresters.
- ▶ Healing Arts Board.
- ▶ Licensing Board for General Contractors.
- ▶ Liquefied Petroleum Gas Board.
- ▶ Board of Nurses' Examiners and Registration.
- ▶ Board of Examiners for Psychology.
- ▶ Real Estate Commission.
- ▶ Board of Registration for Sanitarians.
- ▶ Alabama Therapist Board.

- ▶ Board of Examiners of Nursing Homes.
- ▶ Veterinary Medical Examiners.

Separate administrative, clerical, and secretarial staffs are maintained by each of these boards. Members are part-time advisors while combined personnel total 44 full-time and 10 part-time people, seven of whom are executive directors/secretaries.

Total revenue for fiscal 1971 was about \$675,000. Expenditures for this period were approximately \$639,000. For fiscal 1972, revenues are estimated at \$698,000 and expenses at \$745,000, exclusive of a \$150,000 capital expenditure. The boards process some 6,000 new applicants and issue about 64,000 renewal licenses annually.

OPERATING EFFECTIVENESS

The boards function well in providing service to applicants and licensees. In managing the paperwork associated with their activities, however, a wide variation exists in staff productivity rates. About 85% of the renewal dates fall within a three-month period. Staff levels are generally based on the work load generated during this time.

RECOMMENDATIONS

1. Create a Department of Professional and Occupational Registration.

At present, each licensing board maintains its own administrative, clerical, and secretarial staff. The seven largest boards employ a full-time executive director/secretary who supervises from two to 10 employees. Productivity rates among the various clerical groups vary widely.

The proposed department would provide centralized support services for the 17 licensing boards and permit a reduction in the work force of two clerical employees and three executive directors/secretaries. This would provide an estimated annual saving of \$59,800. In addition to the director, the department would consist of three assistant directors who would supervise the

clerical staff. Combining the administrative functions would permit increased utilization of computers, eliminate the need for duplicate equipment, facilitate revision of renewal dates, and permit standardization of license forms.

2. Require licensing boards to remit surplus monies in excess of operating reserve requirements to the general fund.

The State Board of Cosmetology and the Board of Nurses' Examiners and Registration had estimated surpluses of \$152,500 and \$239,600 respectively for fiscal 1971. At present, several boards are required to remit funds in excess of a set reserve to the general fund. Expanding this requirement to all licensing boards will provide a one-time saving of \$362,100 after establishing a \$15,000 operating reserve fund for the State Board of Cosmetology as well as the Board of Nurses' Examiners and Registration.

3. Cancel plans to construct a building for the State Board of Cosmetology.

This board has allocated \$150,000 of its surplus funds to construct a building and has already purchased land for that purpose. At present, operations are carried out in rented facilities at an annual cost of about \$2,400. Construction of the proposed building is not economically justifiable and the plans should be canceled. In addition, the land that has been purchased should be sold and all monies returned to surplus for eventual remittance to the general fund. Savings are set forth elsewhere.

4. Allocate the costs of support services to each of the boards and require them to establish fees at least sufficient to meet these costs.

Each board should establish a fee structure which enables it to meet all expenses. With support services for the boards combined in the proposed Department of Professional and Occupational Registration, it will be necessary to allocate the costs for this activity among the various units.

Commission on Higher Education

The purpose of this commission is to promote a coordinated system of higher education for the state and to make continuing studies of matters

pertaining to all facets of higher education. Among its major designated functions are design and establishment of a state university and col-

lege information system; coordination of programs in instruction, research, and public service funded by the state; preparation of a single budget for all public institutions of higher education; gathering of information concerning institutions of higher education in the state; evaluation of this material; providing such information along with recommendations to the Governor and the Legislature to ensure the highest quality higher education; and promoting cooperation between the institutions of higher education in the state. For the 1971-73 biennium, the commission has an annual appropriation of \$250,000.

PRESENT PRACTICES

Due to the change of administration in 1970, delays in appointing commission members and choosing an executive director as well as inadequate funding, the Commission on Higher Education has only recently begun to organize and hire a staff. Personnel consist of an executive director, an associate director for administrative and fiscal affairs, an editor, statistician, four full-time, and two part-time secretaries and clerks. Advisory councils for the various institutions of higher education have been tentatively organized.

The commission has published a two-volume study inventorying the academic programs of the state's colleges, universities, and junior colleges. It is intended to point up and prevent program duplication and spotlight courses which are no longer needed.

All new programs since 1971 have been directed to the commission for approval before being installed. This group has also begun preparation of a master plan for higher education and will shortly begin work on a unified budget to be presented for the 1973 biennium.

OPERATING EFFECTIVENESS

Many of the specified duties and functions of the commission overlap with the Education Study Commission and the Division of Research and Higher Education of the Department of Education. The conflict between these agencies seems to have resolved itself for the present time since the executive director of the Education Study Commission is concentrating on primary and secondary education and the Division of Research and Higher Education is being eliminated in a reorganization of the Department of Education.

The proposed organization of the commission provides for several sections and departments

which are unnecessary. The greatest need at present is for a full-time permanent executive director. The coordinating activity has been overly enlarged and would prove both costly and cumbersome if implemented.

RECOMMENDATIONS

1. Hire a permanent executive director.

The present director was hired to serve until a permanent one could be hired. The work has now reached a point where full-time direction is required. Therefore, the commission should appoint a seven-member screening committee to interview qualified candidates and make appropriate recommendations to the commission. The committee would be composed of the chairman, two other commission members, the presidents of the University of Alabama—Tuscaloosa, and Auburn University, and two presidents of smaller state universities.

2. Eliminate the excessive number of councils proposed to carry out the coordination planning activity.

This commission is intended to function in policy-making areas. Therefore, a council of presidents, one of chief academic officers, and another of chief administrative or business officers should be adequate to meet its coordination needs. Plans to organize 13 or more additional councils are excessive and should be abandoned. The annual saving would be at least \$20,000 through elimination of meeting and travel expenses.

3. Increase space utilization to an optimum level.

A recent utilization study of university classroom and laboratory space across the state uses 30 hours per week as a base. This is too low and will result in unnecessary capital expenditures. Campus visits indicate maximum usage during the 8:00 a.m. to 12:00 noon period. By scheduling more classes in the afternoon and evening hours, these institutions could produce a minimum increase of 10% in their space utilization rates. Such an increase would result in a one-time saving of capital funds estimated at \$4.5-million. Implementation can be accomplished through the Council of Chief Academic Officers.

4. Establish cost control procedures and set work standards for building operations and maintenance at all universities and colleges.

Wide variations exist in the cost of operation and maintenance per 1,000 square feet at the state's

universities and colleges. Establishing a formal cost reduction program, including work standards, should provide an annual saving of \$1.5-million. Implementation can be accomplished through the Council of Chief Administrative Officers or Business Managers.

5. Institute a work measurement study of administrative and library personnel at the 12 major institutions of higher education.

The total annual payroll for administrative and library personnel at these institutions is approximately \$12.2-million. A work measurement study to establish performance standards could provide a minimum reduction of 3% in payroll costs for

an annual saving of \$366,000. The one-time cost would be approximately \$150,000. Implementation can be accomplished through the Councils of Chief Academic Officers and Chief Administrative Officers.

6. Eliminate the unnecessary positions of editor and coordinator.

The commission has recently published an organizational chart and is moving to fill the positions indicated. These two positions are unnecessary and should be eliminated. The individual presently functioning as the editor should be reassigned. The total annual saving through implementation would be \$20,000.

Auburn University

Auburn University was the first land grant college in the South. It offers programs to stimulate research in agriculture and provide educational services to industries in the state. The university's Cooperative Extension Service extends a wide variety of educational opportunities to farms, homes, industries, communities, and municipalities throughout Alabama.

PRESENT PRACTICES

The university is governed by a 10-member Board of Trustees. The Governor, who serves as chairman, and the State Superintendent of Education are ex officio members. The university's administration, under the president, is organized into the areas of academic affairs, research, and extension. Each is administered by a vice president.

The academic program encompasses nine schools providing undergraduate instruction and a graduate school offering doctoral work in 20 areas and master's degrees in 48. The research program includes activities at the Auburn campus and 22 other units throughout the state. The extension program is a major responsibility and is designed to provide research benefits to the people of the state. In addition to the main campus, a branch operation is maintained in Montgomery.

The total staff numbers 3,921 of which 2,341 are nonacademic personnel. The main campus occupies 1,871 acres and includes 60 major buildings and 27 residence halls. Student enrollment

for the 1970-1971 school year was 13,551. Total expenditures for this period were almost \$53.3-million of which \$18.6-million were state funds.

OPERATING EFFECTIVENESS

The university is performing its education and research functions well. However, several areas of administrative and fiscal operations offer opportunities for improvements. These include plant and equipment inventories, auxiliary enterprises, printing, photographic, and receiving services. In addition, computer operations, internal paper handling procedures, and fee structures require changes.

RECOMMENDATIONS

1. Implement the recommendations made by the two self-study reports.

With the exception of the proposal regarding space and equipment, the recommendations in the two reports prepared by the university in recent years have not been implemented. Areas covered in these studies represent the major cause of inefficiencies in the university's fiscal management practices. Every effort should be made to implement the recommendations of these two reports immediately. In doing so, the following should take precedence:

- ▶ Revise and reduce the number of forms used.
- ▶ Simplify processing procedures and approval systems.

- ▶ Place more responsibility for detailed fiscal management with department heads.
- ▶ Develop a procedure to train new employees in fiscal management.
- ▶ Prepare a complete handbook covering fiscal policies.
- ▶ Establish a cost accounting unit.

A qualified consultant should be employed to study the current situation and make the necessary changes. The one-time cost is estimated at \$30,000. The annual saving to be attained should amount to \$500,000.

2. Invest part of the cash balances maintained by the university.

At present, the university maintains balances in several banks. By scheduling recurring payments for the end of the month and using a cash budget, Auburn will be in a position to operate with a minimum cash balance, leaving the remaining funds free for investment.

The officer in charge of investments should be notified in advance of any large cash requirements. By investing a minimum of \$2.5-million of the university's cash balances in short-term paper, an annual income of \$125,000 would be provided.

3. Employ an internal auditor.

The university should employ a qualified professional to conduct internal audits of the various departments. In addition to this responsibility, he will be available to assist external auditors in their examinations. The annual cost is estimated at \$15,000.

4. Convert student loan records to computer applications.

Auburn's student loan program consists of more than \$3-million in loans to over 3,300 persons. Approximately 1,500 of the loans are in the process of repayment. Under the present accounting system, two full-time employees are required to keep the ledger records current. The size of the work load is expected to double over the next several months. By converting the records to a computer application, it will be possible to eliminate the budgeted staff addition for an annual saving of \$10,000.

5. Prepare a computerized inventory of all movable equipment valued at \$25 or more.

Auburn University does not have a physical inventory of its equipment assets. Establishing an

up-to-date computer listing for inventory purposes will:

- ▶ Reduce thefts.
- ▶ Provide information for insurance coverages and claims.
- ▶ Supply information needed for government and commercial grants and contracts.
- ▶ Improve financial reports and allow transfers of surplus equipment between departments.

The initial cost of implementation should be more than offset by potential savings.

6. Use the computer center facilities for administrative data processing.

At present, the Business Office maintains its own computer at a cost of about \$58,800 per year. The computer center has the capability to absorb the work load of the Business Office and centralization would result in an annual saving of \$47,400 through equipment reductions. Implementation would require the establishment of priorities as to when certain functions would be performed.

7. Promote full occupancy of residence halls and operate the Housing Service on a self-sustaining basis.

The residence halls average approximately 500 vacancies representing a loss of \$150,000 annually. Consideration should be given to a renovation program and the adoption of certain residency rules for out-of-town students to promote full occupancy. The annual cost of the renovation is estimated at \$66,000 while the annual income would be \$150,000.

Under the present accounting system, Housing Service auxiliaries are not charged a pro-rata share of the administrative and overhead expenses of the university. After proper allocation of costs, residence charges should be raised to put the Housing Service on a self-sustaining basis. The annual income should show an increase of \$119,600. The total annual income through implementation will be \$269,600.

8. Increase the student application fee.

The current fee does not cover processing costs and should be raised \$5. This would provide additional annual income of \$34,500 at current application rates.

9. Increase the nonresident undergraduate fee.

Auburn charges nonresidents approximately \$450 per year to attend the university. Based on a study

of fees at universities in nine neighboring states, this is quite low. Charges at these schools ranged from a low of \$530 to a high of \$1,077 with the average slightly above \$600. Raising Auburn's fee to \$820 would more adequately reflect the state's costs — which are about \$17.40 per credit hour — and would provide additional annual income of \$800,000 based on current enrollments.

10. Increase the late registration fee.

Present late registration fees do not reflect the processing costs involved. They should be raised by \$5 to provide an annual income of \$20,000.

11. Increase the transcript fee.

At present, the university charges \$1 for transcripts. To cover processing costs, the fee should be increased to \$3. The annual income generated would amount to \$48,000.

12. Increase the charge for processing returned student checks.

Student checks which do not clear the bank are reprocessed for a charge of \$2. This does not cover the handling costs involved and should be increased to at least \$5. The additional annual income should amount to about \$5,100.

13. Institute a student vehicle registration fee.

At present, the university registers all student vehicles, but does not charge for this service. A charge of \$1 is made for late registrations. To offset the expense of maintaining campus parking and help defray security costs, a registration fee of \$5 per year should be established and the late registration charge continued and possibly increased. The annual income generated would amount to \$55,000.

14. Initiate a program of vehicle control at the university.

Auburn operates approximately 270 state-owned cars. At present, no information is developed on their usage nor is a control system in operation. A system for fleet management control should reduce the overall expenditure by 10% for an annual saving of \$75,000.

15. Centralize the university's duplicating and printing operations.

The university offers duplicating services through a facility which is capable of handling most of its printing requirements and all of its duplicating and copying needs. However, the facility is not being fully utilized and several departments maintain individual operations to provide these services. The net result is increased equipment

costs and inefficient facility use. These operations should be reviewed and centralized in the duplicating services' facility. Potential savings cannot be determined at this time.

16. Centralize the university's photographic service activities.

Auburn offers a photographic service which is capable of providing all photographic needs except motion picture development. However, several departments have acquired their own equipment with the result that this service is underutilized and overall costs are increased. Photographic activities should be centralized in the existing service facility to eliminate duplications and decrease current expenses.

17. Study the feasibility of centralizing audio-visual equipment and related teaching aids in a Learning Systems Center.

Each department has occasional need for various types of audio-visual equipment and related teaching aids. At present, such equipment is purchased by the department as budgets allow and is not fully utilized. By establishing a central facility for providing such equipment to the departments as needed, the university should be able to increase utilization rates and avoid expensive duplications.

18. Operate the Food Service auxiliaries on a self-sustaining basis.

Dining hall costs — including general and administrative overheads and warehouse expenditures — are allocated to these Food Service auxiliaries. The fees charged in the halls should be raised to put the operations on a self-sustaining basis. Annual savings are estimated at \$108,100.

Agricultural Experiment Station System

The objective of this system is to conduct research bearing on the agricultural industry. It is an integral part of Auburn University and acquires information on production, marketing, manufacturing, and distribution of agricultural and forest products.

The main experiment station is on the campus of Auburn University and is supplemented by 21 research units throughout the state. Research areas include Divisions of Agricultural Economics, Agricultural Engineering, Agronomy and Soils, Animal Disease Research, Animal Science, Botany and Plant Pathology, Dairy Science, Publications,

Research Data Analysis, and Zoology-Entomology. As of September 30, 1971, the system had 460 employees. Total expenditures for fiscal 1971 amounted to more than \$6.8-million of which almost \$1.7-million were federal funds.

Because of the many changes which agriculture has undergone in the state, the system has elected to place greater emphasis on research oriented toward the urban and suburban dweller. This includes studies of turf grasses, shrubs, fruit trees, vegetables, flowers, and the like. In an effort to get research data distributed, a considerable amount is spent for publication costs.

RECOMMENDATION

19. Reevaluate the objectives of the Agricultural Experiment Station System.

The number of employees in the system has more than doubled since 1954 while farm acreage has declined from 21.2-million to 14.5-million acres. The number of operating farms has dropped from 168,000 to 83,000.

Sufficient current research directed toward urban and suburban dwellers suggests an in-depth analysis be made of this function and nonessential activities eliminated. Consolidation of research units from 21 to 14, plus attendant reductions in personnel and related expenses would provide an annual saving of approximately \$400,000. In addition, it is estimated that the 2,200 acres of land vacated would yield some \$20,000 per year in lease income.

Cooperative Extension Service

The Cooperative Extension Service is headquartered at Auburn University and operates as an integral part of that institution. Its purpose is to disseminate useful information pertaining to agriculture and home economics.

The director of this agency is appointed by the president of Auburn University. The Cooperative

Extension Service provides assistance for farm and other demonstration work, trains rural men and women for community leadership, and operates various clubs for farm people.

At present, there are approximately 778 employees and the annual appropriation is more than \$9.4-million. Salaries account for 82%. Funds are obtained from county revenues, federal sources, grants, gifts, contracts, sales operations, and the Special Education Trust Fund.

The farmers of Alabama are adequately served by this agency. However, the staffing appears to be somewhat excessive in terms of headquarters personnel. Despite the drop in the state's farm population, employee and budget levels have continued to increase.

RECOMMENDATIONS

20. Reassign the Cooperative Extension Service to the Dean of Agriculture.

The present separation of these services results in duplications and excessive costs. Therefore, the Cooperative Extension Service should be combined with the Agricultural Experiment Station and the School of Agriculture. All three would then report to the Dean of Agriculture. The estimated annual saving would be \$500,000.

21. Reduce the state appropriation to the Cooperative Extension Service by 25%.

Although the state's farm population has been decreasing, the number of employees in this agency has risen. It would appear that an in-depth study of the present organization and staffing practices of this unit is needed.

The review should include funding practices and the effect of federal programs on projects administered by the Cooperative Extension Service. It is expected that the state's appropriation could be reduced by at least 25% for an annual saving of \$800,000.

Florence State University

Because its origins are rooted in education, this university has retained a predominant role in that field. It also offers courses and degrees in arts, science, business, and home economics.

PRESENT PRACTICES

The Board of Trustees employs the president as chief executive officer of the university. At present, Florence State operates completely within

its main campus and has no extension programs. Kilby Grammer School is operated on campus by the Department of Education as a laboratory school for teacher training.

The present enrollment level is 2,820 students while full-time faculty members number 163. The fiscal 1972 state appropriation is set at more than \$2.5-million.

OPERATING EFFECTIVENESS

The university is performing its assigned educational functions. The tradition of a predominately resident student population has caused severe financial strains in recent years due to a decline in student use of facilities.

Insufficient income has forced the school to meet operating expenses and debt service requirements from reserves. No definite plan has been formulated to reverse the trend. Fee structures, utilization of data processing equipment, and inadequate financial and personnel management manpower are other areas which require significant improvement.

RECOMMENDATIONS

1. Employ an assistant business manager.

The business manager is responsible for all accounting functions, personnel and payrolls, purchasing and inventory controls, auxiliary enterprises, and financial affairs. An assistant should be employed immediately to help with the work and provide backup manpower. The annual cost is estimated at \$10,000.

2. Establish a personnel section.

At present, the university has no formal personnel policies or procedures. Hiring is done by individual departments while the small amount of centralized personnel work is handled by the university's business manager.

Establishing a personnel section to administer this function properly will allow the university to control its manpower needs more effectively, raise employee morale, comply more easily with state and federal requirements, and improve work standards and performance. Implementation should provide an annual saving of 2% of its payroll or \$62,200 at current levels. The annual cost is estimated at \$10,000.

3. Implement a program to achieve full EDP utilization.

The university's data processing operation costs approximately \$57,000 annually. The system is

used for payrolls, registration and grade reports, and some alumni information. With a small addition to the payroll expense, the EDP equipment could be operated for an additional shift daily and programmed to handle routine administrative and financial information. Specific savings cannot be determined.

4. Place residence halls and food service facilities on a self-sustaining basis.

If budget deficits for residence halls and food service facilities are realized, the university will end the current fiscal year with a cumulative fund deficit of almost \$295,000. Putting these facilities on a self-sustaining basis would provide an annual saving of \$102,500. Methods to achieve this might include:

- ▶ Requiring freshmen not living at home to utilize residence and food service facilities.
- ▶ Converting some of the dormitories to married student apartments.
- ▶ Improving management techniques to make present facilities more attractive to the university's students.

5. Increase the student application fee.

The current fee is \$10. This is not sufficient to cover processing costs and should be increased to \$15. The annual income to be realized is estimated at \$9,000, based on current enrollments.

6. Increase the nonresident tuition fee.

The nonresident tuition fee is \$90 per semester. The state appropriation, based on a total of 15 hours per semester, averages out to \$300 per student. Increasing the fee to \$300 would more adequately reflect the state's educational costs. The annual income is estimated at \$51,600.

7. Increase the late registration fee.

The current charge is \$5. An increase to \$10 would more adequately cover processing costs. The annual income is estimated at \$2,200.

8. Increase the change-of-course fee.

The fee for changing courses is \$5. Raising it to \$10 would be more realistic in terms of the processing involved. The annual income is estimated at \$7,500.

9. Raise the transcript fee and charge for all transcripts issued.

The university issues each student one free transcript and charges \$1 for subsequent copies. This does not cover processing costs. Therefore, the fee should be increased to \$3 and charged for all

copies. The additional annual income would be \$10,500.

10. Increase the campus auto registration fee and traffic fine schedule.

The annual auto registration fee is \$2 for the first and \$1 for each additional car registered by the

same person. The average traffic fine is \$1. The registration charge should be increased to \$5 and a minimum fine of \$3 established for traffic violations. The increased revenue would help offset the cost of providing parking and campus security. The annual income is estimated at \$15,900.

Jacksonville State University

This institution was founded in 1883 as a state normal school. It became a university in 1966.

PRESENT PRACTICES

This university operates under a Board of Trustees. It appoints a president to serve as chief administrative officer. The school is located on a 277-acre site and has 29 buildings. In fiscal 1971, operating expenditures totaled \$6.31-million of which \$3.5-million was state funds. The FTE student enrollment for the period was 5,349 and there were 338 staff members.

OPERATING EFFECTIVENESS

The university is fulfilling its educational mission. However, several administrative areas offer opportunities for improvement. These include fee structures, auxiliary management, personnel organization, campus security, housing, and extension work.

RECOMMENDATIONS

1. Establish a personnel function.

At present, hiring and other personnel activities are handled by individual departments. The university now has 338 full-time staff members, more than enough to justify the establishment of a formal personnel function.

Implementation should result in a 2% saving based on the total annual payroll. At current levels, this would provide an annual saving of \$72,700. The annual cost is estimated at \$10,000.

2. Renegotiate the lease on Forney Hall.

In 1964, the university leased Forney Hall to two local residents for \$1 per year for 15 years. The building has been converted into apartment units which rent for about \$45 monthly.

Equity requires a renegotiation of this lease so that the university will receive a proper propor-

tion of the income from this property. Implementation should provide an additional annual income of \$2,500.

3. Operate dormitories on a self-sustaining basis.

The university provides dormitory housing for approximately 3,000 students. In fiscal 1971, these facilities operated at 75% capacity with a resulting loss of \$390,000. Full occupancy would provide an annual saving of this amount. Consideration should be given to converting certain facilities into apartments and requiring some students to live on campus.

4. Discontinue the extension work begun at Gadsden State Junior College.

Because of the proximity of Gadsden State and Jacksonville State, students from Jacksonville now enrolled in this extension program should be transferred to the main campus. Since only 27 people are enrolled, discontinuing the Gadsden program will provide an annual saving of \$50,000.

5. Recover bookstore revenue loss.

Bookstore revenues dropped from \$22,000 in fiscal 1970 to \$5,000 in 1971. Part of the drop can be attributed to the shifting of the campus away from the current location. Moving this operation to a more convenient area would recover part of the lost income. A more diversified product line would also help. Implementation should result in annual savings of \$17,000.

6. Institute a computerized cost accounting system.

Without an adequate cost accounting system, it will be impossible for the university to reach maximum management effectiveness. Savings which will result from implementation cannot be quantified, but they should far exceed the costs which will be involved.

7. Increase the student application fee.

The present fee is \$10. An increase to \$15 would more adequately reflect processing costs. The additional annual income is estimated at \$16,500.

8. Increase the nonresident tuition fee.

Nonresident tuition is \$100 per semester. The state appropriation, based on 15 hours per semester, is \$300 for each student. Increasing the fee to this amount would reflect the state's educational costs. The additional annual income is estimated at \$180,000.

9. Raise the change-of-course fee.

The present charge is \$0.50 per course hour or an average of \$3 per change. A fee of \$10 per change

would more adequately reflect the processing costs involved. Implementation would provide an additional annual income of \$23,100.

10. Increase the transcript fee and charge for all transcripts.

Currently, the university provides one free transcript and charges \$1 for additional copies. To recover processing costs, the fee should be raised to \$3 and charged for all transcripts. The additional annual income would be \$13,000.

11. Raise the auto registration fee.

The present charge is \$2 per year. If the fee were raised to \$5, it would provide an annual income of \$15,000 to help defray security costs.

Livingston State University

This university is dedicated primarily to a program of teacher education for prospective elementary and secondary teachers and school administrators. It includes Colleges of Arts and Sciences, Business and Commerce, and Education as well as a School of Graduate Studies.

PRESENT PRACTICES

Livingston State is governed by a Board of Trustees. The board has formed an executive committee which meets monthly to conduct business between board meetings. The president is the chief administrative officer of the university. He is responsible for carrying out institutional policy.

Its main campus is located in Livingston with extension centers operated in Selma, Brewton, and Thomasville. In fiscal 1971, the staff totaled 204 of which 119 were instructional personnel. Total expenditures were \$2.97-million including a state appropriation of \$1.1-million. Student enrollment was 1,699.

OPERATING EFFECTIVENESS

The university is fulfilling its educational objectives and improvements in managerial operations have been rewarding. However, there are areas where adjustments are still necessary. Certain auxiliary enterprises operate at a loss, some student fees are inadequate, and a computer system has been installed which is in excess of the school's needs.

RECOMMENDATIONS

1. Promote full occupancy of Spieth and Selden Halls.

These two women's dormitories had an occupancy rate of approximately 55% for fiscal 1971, resulting in an operating loss of \$44,000. Consideration should be given to requiring out-of-town freshmen to live on campus. Full occupancy would provide an annual income of approximately \$44,000 to put these dormitory facilities on a self-sustaining basis.

2. Charge a student activity fee.

The university does not presently charge for various student activities available on campus. A charge of \$3 per quarter should be initiated to cover the cost of these activities. At present enrollment levels, the additional annual income is estimated at \$16,000.

3. Charge a fee to cover the cost of the student health center.

A student health center is operated without charge on a 24-hour basis by the university. The total annual cost of this service is estimated at \$30,000. By initiating a student health fee of \$5 per quarter, it should be possible to recover the operating cost. The annual income is estimated at \$30,000.

The charges made to the school by Sumter Memorial Hospital seemed excessive. For this reason

and the unusual nature of the agreement between the university and the hospital, it is felt that all charges made by the hospital should be audited by the state's Department of Examiners of Public Accounts.

4. Downgrade the present computer system. The university's computer system has capacity far in excess of its needs. Downgrading the equipment to reduce excess capability would provide an annual saving of \$12,000.

Troy State University

This university consists of four major academic divisions: The College of Arts and Sciences, The School of Business and Commerce, The School of Education, and The School of Nursing. It is authorized to grant master's degrees.

PRESENT PRACTICES

The university operates under an 11-member Board of Trustees which includes the Governor and the State Superintendent of Education. Its president is assisted by the Vice President for Finance, the Dean of Student Affairs, and the Vice President of Academic Affairs. In addition to the main campus at Troy, the university has branches at Maxwell Air Force Base in Montgomery and Fort Rucker in Ozark. Its School of Nursing offers a nurses training program in conjunction with St. Margaret's Hospital in Montgomery.

The student body on the main campus has shown a steady growth, rising from 2,636 full-time equivalent students in the fall of 1966 to 3,429 students in the same quarter of 1970. The extensions have undergone more dramatic increases. The Rucker and Maxwell campuses had 792 students in the fall of 1966 whereas by 1970, the combined enrollment was 1,560 students. Total university receipts grew from \$4-million in fiscal 1969 to more than \$5-million in fiscal 1970.

OPERATING EFFECTIVENESS

The university has recently introduced a system of cost control accounting within its administrative section. It has been in effect less than six months, but already many savings have been produced. However, there are several areas, such as the post office, bookstore, and printing departments, which have not fully implemented the system. Custodial maintenance, vehicle control and maintenance, and personnel control within the Physical Plant Department are other candidates for cost control accounting.

Within the last two years, the university has initiated an increasingly effective centralization procedure for supportive services to the faculty. All library, audio-visual, and printing facilities have been combined in a single location. This innovation may provide a statewide model.

RECOMMENDATIONS

1. Place the campus bookstore on a self-supporting basis.

The university bookstore showed a net loss of \$34,000 for fiscal 1971. This loss could be eliminated by taking the following steps:

- ▶ Increase inventory turnover and exert effective control over inventory shrinkage.
- ▶ Improve space utilization.
- ▶ Plan physical layout to reduce pilferage.
- ▶ Institute effective ordering procedures.
- ▶ Increase utilization of the return privileges on merchandise.

Implementation should provide an annual saving of \$34,000.

2. Reduce overtime work.

In some departments, it is a practice to schedule overtime work. The annual expense for such overtime runs to about \$65,000. Better scheduling and use of part-time personnel should be combined with a policy of authorizing overtime work only in emergencies. Implementation should provide an annual saving of \$20,000.

3. Charge a fee for the university year book.

At present, part of the student's application fee is considered payment for the university's year book. However, this charge should reimburse the school for all costs involved in student admissions. For fiscal 1971, the combined admissions and year book expenses exceeded application fees by \$25,200. By charging \$8.50 for the book, based on the 1971 order of 3,000 copies, the uni-

versity would realize an additional income of \$25,500 to offset expenses.

4. Increase the rental fee for post office boxes.

A post office is maintained by the university to provide mail services. It rents approximately

1,300 boxes for \$1.50 per quarter. At this rate, the university has sustained a net loss of about \$10,000 for the last three fiscal years. Therefore, the fee should be increased to \$3.50 per quarter. Based on present enrollment, the additional annual income will be \$8,600.

University of Alabama - Birmingham

In addition to objectives consistent with the University of Alabama system, this institution exists for several special purposes. It is heavily engaged in health education and service and is the principal institution for higher education in this field in the state. It is located in an area which has 20% of Alabama's population and is the only public institution in this section of the state authorized to grant bachelor degrees. As an urban university, it is able to serve large numbers of commuting students.

PRESENT PRACTICES

The university has three major divisions: the Medical Center, the University College, and the Graduate School. Total enrollment is approximately 7,439 FTE students. As of fiscal 1971, there were 5,213 employees and the appropriation for that period was \$63.1-million. The university has experienced a period of rapid growth since fiscal 1967 and this expansion has been a pervading factor in its overall operations.

The institution's hospitals and clinics — in addition to their educational function — are a major source of health services for the entire state, particularly the medically indigent. These facilities also carry on a program of nationally recognized medical research.

OPERATING EFFECTIVENESS

The growth experienced by this institution is expected to continue. While it has given strength to the university, the rapid expansion has strained some parts of the administrative organization.

Functions of purchasing, receiving, warehousing, and storage operate under a fragmented system which is no longer adequate. Planning and control of manpower has not kept pace with personnel levels and the use of duplicating equipment is not properly controlled.

University hospitals and clinics need an improved system to control doubtful accounts and should explore avenues to finance indigent patient care. The student health program should be revised and the laundry operation improved.

RECOMMENDATIONS

1. Charge all counties for indigent patients at the university's hospital on the same basis used for Jefferson County.

Under the present agreement, the university's hospital is paid \$3.7-million by Jefferson County for medical services provided indigent patients from that area. Establishing similar agreements with other counties which refer indigent patients to this facility will result in an annual saving of approximately \$1.1-million by reducing current charge-offs.

2. Institute a manpower study.

When a department requests additional help or a replacement for a vacancy, the opening is filled as long as the department has sufficient money in its budget. No study is made to determine if the vacancy should be filled or new employees hired. Therefore, a manpower study should be conducted to determine employment needs before any additional hiring is done. No specific amounts are claimed, but potential savings should be very substantial.

3. Conduct a work measurement study of the university staff.

There are currently 5,213 full-time employees serving a total student enrollment of 7,439. A work measurement study should be conducted by a qualified organization to determine areas where efficiency can be increased and staff eliminated.

A 2% reduction in the work force should be possible and would generate an annual saving of \$600,000. This is in addition to savings claimed

under the Commission on Higher Education. The one-time cost is estimated at \$25,000.

4. Increase the student application fee.

The current fee is \$10, but does not cover processing costs. It should be increased to \$15. This would provide additional annual income of \$25,000 based on the current application rate.

5. Adjust the student health fee to cover program costs.

At present, the student health fee is not sufficient to cover program costs. Therefore, all students should be charged and the fee amended so this service becomes self sustaining. The adjusted annual income is estimated at \$64,000.

6. Increase the transcript fee.

The present policy is to issue a free transcript and charge \$1 for additional copies. This does not provide sufficient income to cover processing costs. Therefore, the fee should be raised to \$3 for all transcripts. The additional annual income is estimated at \$20,000.

7. Implement a control system for the university's photocopy equipment.

There are now 43 machines on campus and no analysis has been made of the need for or utilization rates of this equipment. Institution of a control system should reduce the annual rental by 20% for a saving of \$26,000.

8. Reduce the cost of laundry service for the university's hospitals and clinics.

During fiscal 1971, the university's hospitals and clinics reported an expenditure of almost \$547,000 for laundry service on a contract basis. However, the local contractor may not be able to provide this service much longer. Therefore, a study should be initiated to determine a means for reducing the annual laundry costs and ensuring a reliable source of service.

An industry source estimates that the university could provide its own facility for an initial investment of \$650,000. With automated equipment, the per-pound cost would be reduced from \$0.14 to \$0.07 for an annual saving of \$271,000.

University of Alabama - Huntsville

This university serves the higher educational needs of Huntsville and the northern Alabama area. It provides a full undergraduate schedule and a very broad graduate program concentrated in the scientific field.

PRESENT PRACTICES

At present, the university campus consists of 330 acres with eight major academic and administrative buildings. As of spring 1972, the total FTE student enrollment was 1,600 and the faculty had grown to 127 full-time members.

The institution's concentration on scientific studies is a natural outgrowth of its location. Redstone Arsenal and facilities for the National Aeronautics and Space Administration are only a short distance from the campus. This geographic proximity to a large scientific population has been a major factor in the growth of the institution and should ensure future expansion.

OPERATING EFFECTIVENESS

The university is performing its assigned functions exceptionally well. Two administrative areas —

photocopy control and janitorial services and supplies control — are outstanding examples of proper management. They should serve as models for the entire state educational system.

There are other functions, however, which present opportunities for improvement. These include fees, auxiliary operations, personnel, and the new Word Processing Center.

RECOMMENDATIONS

1. Establish a personnel department.

At present, the university has no personnel department and follows no established procedures. Hiring is done by individual department heads. A personnel department should be organized under a qualified director. The annual cost is estimated at \$15,000.

2. Use available EDP equipment for administrative and financial work.

A large computer is available to the university for 65 hours a month in lieu of the owning corporation paying rent for the facility which houses it.

The only administrative function programmed on this equipment is semester registrations. Since time is available, the university should transfer all of its administrative and financial work to the computer.

3. Combine the bookstore operations in a single location and put it on a self-sustaining basis.

The university has three bookstore operations in two locations. The operating loss in two of the operations for fiscal 1971 was \$6,700. These units should be combined into a single location. This will eliminate duplicate activities.

The new operation should increase its inventory turnover and review practices in regard to space utilization, items carried, merchandising practices, and pricing. By putting the operation on a self-sustaining basis, there will be an annual saving of \$6,700.

4. Put the cafeteria on a self-sustaining basis.

During fiscal 1971, the cafeteria showed a net loss of \$3,300. Based on current utilization, the university should explore the following areas for means of eliminating the loss:

- ▶ Discontinue the 10% discount allowed on meal coupons.
- ▶ Sell meal tickets.
- ▶ Review pricing policies.
- ▶ Study sizes of portions served.
- ▶ Determine an optimum range of economic menu selections.
- ▶ Consider phasing out the cafeteria at the Huntsville campus in favor of establishing a total vending machine operation.
- ▶ Explore the financial aspects of outside catering services.

By putting this operation on a self-sustaining basis, the university will realize an annual saving of \$3,300.

5. Increase the student application fee.

At present, the university has a \$10 application fee, but it is not charged for applications within the university system. This charge does not reflect the costs involved in processing. Therefore, the fee should be raised to \$15 and applied to all applications. The additional annual income is estimated at \$8,000.

6. Increase the transcript fee and apply it to all transcripts issued.

The university provides each student with a free transcript and charges \$1 for subsequent copies. This fee does not reflect the processing costs involved. It should be raised to \$3 and the practice of issuing a free transcript dropped. The additional annual income is estimated at approximately \$7,000.

7. Establish a registration fee for automobiles brought on campus.

During fiscal 1971, more than 4,000 cars were registered by the university and a free decal provided each owner. Currently, this is paid for from the maintenance and operating budget. As the student population grows, so will the number of cars on campus.

Establishment of a \$5 fee for auto registrations will produce an annual income of \$20,000. This amount can then be applied against the cost of maintaining adequate parking facilities and providing registration decals.

8. Implement a program of full utilization for the Word Processing Center.

This center was opened to provide stenographic services for the university. The annual rental on equipment is about \$15,000 while personnel costs average \$18,600. The university estimates that the facility is only 60% utilized. Full use would reduce costs for personnel and associated equipment by approximately \$18,000 annually.

9. Cancel the plan to purchase student and faculty housing until a detailed feasibility study can be made.

At present, the university does not own student or faculty housing facilities. It is considering the purchase of 88 units in an apartment complex. These are two- and three-bedroom units which are the oldest in the complex. Renovation would be required. The initial outlay to purchase and renovate them would be approximately \$970,000. This does not take into consideration future maintenance and upkeep.

The current occupancy rate is about 60% and the university would have to raise this to 95% to meet the debt service. There has been no detailed study as to the need for purchasing university housing. Adequate private housing is presently available. Canceling the plan would provide a one-time saving of \$970,000 to the state.

University of Alabama - Tuscaloosa

This facility is located in the west-central part of the state in a city of about 82,000. Its 13 divisions include: College of Arts and Sciences, College of Commerce and Business Administration, College of Education, College of Engineering, Division of Continuing Education, Graduate School, Graduate School of Science, The New College, School of Home Economics, School of Law, School of Mines, School of Social Work, and the University Library.

PRESENT PRACTICES

The university is governed by a Board of Trustees. The president of the university is the chief executive officer and its main representative to the board, the public, and the Legislature. There are approximately 14,000 students enrolled at Tuscaloosa. As of September 30, 1971, the university's available operating funds totaled more than \$44.2-million.

This institution is financed by tuition and other fees, income from its endowments, state appropriations, and federal funds used primarily for research and special contracted services. The campus covers approximately 645 acres.

OPERATING EFFECTIVENESS

This institution is fulfilling its educational and research objectives well. However, some of the business and administrative functions offer opportunities for improvements. Areas to be improved include certain fee schedules, housing and food service operations, the bookstore, payment of student tuitions, maintenance costs, and other operational procedures.

RECOMMENDATIONS

1. Eliminate plans for a food service facility in the new student union building.

The university is in the process of constructing a new student union building. Equipping the food service facility planned for this structure will cost about \$279,000.

Existing food services are used by approximately 15% of the student body which represents a great deal less than capacity. Therefore, it should not be necessary to provide still more excess capacity. Eliminating the student union facility will provide a one-time saving of \$279,000.

2. Implement a control system for university photocopy equipment.

The university now has 38 photocopy machines and no system of control or use analysis is in effect. Institution of a control program should reduce the annual rental by at least 20% for a saving of \$17,400.

3. Increase the student application fee.

The university processes about 8,000 applications annually at a charge of \$10 each. Approximately 1,500 transfers are processed without charge. The work done manually involves some 20 steps. Costs have not been reviewed in over 10 years.

If the fee were raised \$5 and extended to all applications, it would more adequately reflect the costs involved. The additional annual income is estimated at \$62,500.

4. Raise the out-of-state student fee.

The present charge for out-of-state students is \$255 per semester which is substantially less than the per-student cost. Moreover, this is one of the lowest charges made in the Southeast. A comparison of other state charges is shown in the table below.

OUT-OF-STATE TUITION FEES

(Based on three quarters or two semesters.)

University of Arkansas, Fayetteville	\$ 530
University of Florida	\$1,050
University of Georgia	\$ 540
University of Kentucky	\$ 700
Louisiana State University	\$ 630
Mississippi State University	\$ 600
University of Mississippi	\$ 600
North Carolina State University	\$1,077
Clemson University	\$ 700
University of Tennessee	\$ 615

The university's fiscal 1971 appropriation reflected a per-semester cost of \$400 for each student, based on 12 credit hours. Increasing the out-of-state fee to this amount would produce additional annual income of \$1.08-million at current enrollment levels.

5. Place the bookstore operation on a self-sustaining basis.

During fiscal 1971, bookstore operations showed a loss of \$14,300. Immediate action should be

taken to correct this. Some factors to consider include:

- ▶ Study the feasibility of closing two satellite operations which are showing losses for 1972.
- ▶ Eliminate the 10% discount given to students. In fiscal 1971, total discounts amounted to \$15,000.
- ▶ Prevent pilferage by improving the physical layout of the stores.
- ▶ Improve inventory controls to increase merchandise turnover rates.
- ▶ Close the student book exchange so second-hand books will be sold only through the bookstore.
- ▶ Require a minimum of three months' notice from faculty members regarding books to be used each semester to improve merchandising of texts.
- ▶ Improve utilization of personnel. Sales staff is provided for peak periods, but is not assigned other work in off hours.

Implementation should eliminate the loss and provide an annual saving of at least \$14,300.

6. Promote full occupancy of student housing facilities and maximum utilization of related food services to eliminate current losses.

During fiscal 1971, the university sustained a loss of almost \$400,000 on housing and food services. Efforts should be made to make them self-supporting to eliminate the drain on operating funds. Alternates to accomplish these objectives include:

- ▶ Require students to use university housing and food services.
- ▶ Reduce maintenance costs on all units.
- ▶ Renovate unoccupied facilities to serve as housing for married students or as student apartments.
- ▶ Study Mary Burk Hall, a co-ed facility which has the best occupancy rate, as a pattern for promoting use of other units.
- ▶ Review food service facilities with a view to combine or eliminate marginal operations.

If dormitory space is converted into apartments, some additional expense will be involved. However, it would be defrayed in the long run by reducing the existing annual debt service through refinancing and increasing the annual income. Implementation should provide additional annual income of at least \$400,000.

University of Montevallo

This school was founded in 1896. It became co-educational in 1956 and was renamed the University of Montevallo in 1969.

PRESENT PRACTICES

The university has a physical plant of about 57 buildings situated on a 113-acre site. Approximately 500 additional acres are owned on and around this area. Physical assets have a book value of about \$14.5-million.

The fiscal 1972 appropriation is \$4.85-million of which \$2.08-million represents state appropriations. The FTE student enrollment for the period is 2,257 and the staff numbers 173 including 137 faculty members.

OPERATING EFFECTIVENESS

The university is fulfilling its educational mission. Business and financial concepts are well under-

stood and properly practiced. Some areas for improvement do exist. These include supplies storage, fee adjustment, use and maintenance of the motor fleet, utilization of rental property, auxiliary enterprises, and janitorial and building maintenance operations.

RECOMMENDATIONS

1. Establish an efficient Maintenance Stores Department to improve the inventory control program.

At present, about \$75,000 in miscellaneous inventory is being stored in a basement. To properly utilize and protect this material, the university should:

- ▶ Make one person responsible for requisitioning, receiving, storing, issuing, and recording all materials.

- ▶ Set up a card file showing quantities, prices, issues, and receipts.
- ▶ Dispose of surplus items.
- ▶ Store all flammable materials in an existing concrete building.

Implementation should result in an annual saving of \$12,500 through improved inventory control.

2. Contract for janitorial services.

A cost study should be made comparing present cleaning methods to services which could be provided by an outside contractor. It is felt that a qualified supplier would be able to supply janitorial services at an annual saving of \$10,000 over present expenditures.

3. Establish a cost accounting system for auxiliary services and set fees which will keep them on a self-sustaining basis.

The university charges a single fee to cover room, board, and medical services. Its operating deficit for these auxiliary services in fiscal 1971 was \$105,000. Revenue and expenditures for these enterprises should be accounted for individually and fees adjusted to eliminate losses. The annual savings should be about \$105,000.

4. Establish a student activities fee.

Under the present fee structure, a portion of the tuition charge is allocated to student activities. A student activity fee, separate from the tuition schedule, should be established to cover expenditures in this area. The additional annual income is estimated at \$37,000.

5. Increase the campus parking fee.

By increasing the current \$0.50 rate to \$5 for resident students, \$3 for commuters, and \$2 for part-time students, an increase in annual income of \$6,300 would be realized. This could be used to defray the cost of campus security.

6. Increase rents for faculty housing.

Faculty rents vary from \$42.50 to \$115 per month. To make the rates comparable with off-campus housing, a 15% increase should be implemented. The additional annual income is estimated at \$2,000.

7. Reorganize management of the university golf course.

Current fee schedules are inadequate and should be increased as follows: regular dues — \$125 annually; faculty charge — \$100 annually; student greens fee — \$1 per day. In addition, two golf course maintenance men should be loaned to campus maintenance during the winter. The additional annual income is estimated at \$6,000. The annual maintenance saving will be \$2,600.

8. Purchase a bus for the use of the athletic team and Music Department.

Four of the university's automobiles are used to transport the athletic team and members of the Music Department. A bus could be purchased from the government for a one-time cost of \$2,000. Implementation would reduce the school's auto needs by four and provide an annual saving of \$8,000.

University of South Alabama

This university, located in Mobile, is the only major public institution of higher learning on the upper Gulf Coast. Under the present organization, it consists of Colleges of Arts and Sciences, Business and Management Studies, Medicine, and Education as well as a graduate school. There are also Engineering, Evening Studies, and Continuing Education Divisions.

PRESENT PRACTICES

The university is situated on a 1,200 acre campus and owns an additional 327 acres which is occupied by the Educational Research and Develop-

ment Center. The Mobile General Hospital and the Mastin School of Nursing are also owned and operated by the university. The school's organization is divided into academics, administration, and student personnel. It is governed by a 17-member Board of Trustees. The board has created an executive committee to act for it between meetings. All committee actions are subject to board approval. The university's president is assisted by five chief administrative officers: the Vice President for Academic Affairs, the Vice President for Administration, the Dean of Student Personnel, the Vice President for Development

and Contracts, as well as the Director of University Relations.

OPERATING EFFECTIVENESS

The University of South Alabama is still a young institution and has more than adequate facilities for its current enrollment and projected growth. Additionally, it has acquired, at little or no cost, several potentially valuable pieces of real estate and equipment. However, some of these acquisitions have proven so costly in terms of maintenance that their potential value may not be adequate to offset current expenses.

Rapid growth has outdistanced planning and cost allocation in several areas. Vehicle maintenance and use are not recorded and fees attributed to security have been allocated elsewhere. Some auxiliary enterprises are not self-supporting and full costs of operation have not been assigned to them.

RECOMMENDATIONS

1. Initiate a program to put the Educational Research and Development Center on a self-supporting basis.

This property, which was acquired in 1969, has been developed for use as a conference center. The single unit housing has been renovated and is being leased to produce income. During fiscal 1971, the property operated at a loss of \$165,400. Although the university has attempted to develop the center, it has not been successful.

A program of full utilization should be started immediately. If this is not possible, the more expensive portion of the facility should be closed until operations can commence on a self-supporting basis. The annual saving through implementation is estimated at \$165,400.

2. Put the student union on a self-supporting basis.

The total cost of occupying the new student union building is estimated at \$226,000 — including overhead, heating, and cooling costs — for fiscal 1972. A student fee of \$5 per year is charged, but this is allocated to debt service. The total amount of this fee will provide an income of \$78,500 which, together with \$20,000 in income from the pool hall, will reduce the annual cost to \$127,500.

Since this facility serves no academic or administrative function of the university, additional ef-

fort must be made to either increase revenues or reduce costs so that the student union can be put on a self-supporting basis. Implementation will provide an annual saving of \$127,500.

3. Operate the bookstore, dormitory, and cafeteria on a self-sustaining basis.

These auxiliary enterprises are not operated on a self-supporting basis. Adoption of a no-loss policy will result in an annual saving of \$190,000.

4. Increase the admission fee to \$15.

At present, the admission fee is \$10 per student. This is not sufficient to recover the expenses of operating an admissions office. By increasing the fee to \$15, additional annual income of \$18,000 will be provided to help offset the operating cost.

5. Increase the quarterly registration fee.

At present, all of the costs of registration are not allocated to this activity. An increase in the registration fee to \$5 would provide an additional \$17,500 annually to help offset properly allocated expenses.

6. Increase nonresident tuition fees.

State appropriations for resident students average out to about \$860 per student annually. At current rates of \$96 per quarter, out-of-state fees represent a deficit of approximately \$120 per quarter per student. Increasing the nonresident tuition fee to \$150 per quarter would bring out-of-state charges more in line with state appropriations. At the current nonresident enrollment rate, the additional annual income would be approximately \$69,000.

7. Increase the campus auto registration fee and traffic fine schedule and allocate resulting income to the security function.

During fiscal 1971, revenues collected from these two sources were allocated to the Student Activity Fund. By raising the auto registration fee to \$5 per year and establishing a minimum traffic fine of \$3, the university should realize an additional annual income of \$58,100. The funds should be used to help offset the cost of providing campus security.

8. Institute an immediate study of vehicle usage and maintenance.

At present, there is no system for recordkeeping on vehicle usage or maintenance costs of the 52 vehicles owned and operated by the university. Instituting a record system would provide a means for eliminating excess equipment and con-

trolling maintenance costs. Savings though implementation cannot be estimated.

9. Dispose of the two boats now owned by the university.

The university now owns two boats which were acquired for marine biology research. They are

no longer used for this purpose and the annual maintenance cost is about \$28,000. Sale of the two boats owned by the University of South Alabama would provide a one-time income of approximately \$20,000 as well as an estimated annual saving of \$28,000.

Department of Education

This department's mission is to provide constructive leadership in the development of more effective educational programs. It is primarily a service agency and its leadership function involves planning, evaluation, research, advice and counsel, coordination, and public information services. The department establishes regulations regarding pupil well being, safety, economy, efficient allocation and management of funds, and the scope as well as quality of the instructional program.

PRESENT PRACTICES

The State Board of Education is the general policy-making body for public education. The State Superintendent of Education is responsible for administering public education as authorized by law and policies set by the board, within limitations imposed by court decisions. He is also responsible for administration of the department and has general supervision of its personnel.

At present, the Department of Education is organized into Divisions of Administration and Finance, Instruction, Rehabilitation and Crippled Children, Research and Higher Education, and Vocational Education. Several new and proposed activities have been placed temporarily under the supervision of the Assistant State Superintendent of Education. A sweeping reorganization of the department was proposed to become effective on July 1, 1972.

Revenue for fiscal 1971 amounted to \$472.1-million. Of this, \$279.6-million came from state appropriations, \$87.5-million from federal funds, \$95-million from local sources, and \$10-million from other sources. This represents an increase of 47.2% from fiscal 1966.

Pupil enrollment decreased 3.9% from 864,300 in fiscal 1967 to 830,300 in 1971. Instruction was

provided by 33,700 teachers. The annual cost of elementary and secondary education, based on average daily attendance, rose from \$363 per pupil in fiscal 1966 to \$523 in 1971. This is an increase of 44.1%.

Vocational education programs are available in each of the state's 67 counties. Programs are divided into three levels: one is concerned with occupational exploration, a second which teaches only skills of a particular trade, and the third, an adult program which provides preparatory or supplementary education. For fiscal 1971, expenditures totaled more than \$22-million of which \$8.3-million was federal money. Enrollment for this same period numbered 136,530 including 41,118 in the adult programs.

Vocational Rehabilitation and Crippled Children's Service is a division of the Department of Education. It is charged with treating and training handicapped adults and crippled children in the state. Under an agreement with HEW, it also evaluates the disabilities of persons applying for social security benefits based on total disability.

The division is composed of a central office, seven areas, 17 districts, and 15 outlying units. Employees total 529. Funds for vocational rehabilitation are on a 75% federal matching basis. Services for crippled children are 50% federally funded.

OPERATING EFFECTIVENESS

Most administrative positions at the state and local levels are filled by professional educators. The skills, knowledge, and experience of an educator are frequently not those of a professional administrator. In many instances, business administration functions have not kept pace with industrial counterparts. There is no apparent downward pressure or planning to reduce costs

or improve systems, methods, and procedures. The fact that large numbers of district superintendents are elected officials can result in excessive changes in management and introduces periods of fiscal uncertainty.

The number of employees within the Department of Education receiving pay from federal funds has increased by approximately 87% since fiscal 1965. Apparently, the practice has been to add employees to administer each new federal grant rather than reorganize existing staffs already administering federal funds.

The present department structure groups similar functions under five division administrators. Because of the size of the department and the large number of functions it encompasses, communication within the organization and with local school districts and the schools is hampered.

The reorganization scheduled to take effect July 1, 1972, has been prepared to provide a more manageable structure which will hopefully improve department effectiveness and reduce costs.

Further changes may be needed to improve the department's leadership function. There is an additional need to consolidate existing school districts into administrative units of a more efficient and effective size.

RECOMMENDATIONS

1. Reorganize and reduce the number of school districts.

Students in districts with small enrollments are at a disadvantage from the standpoint of educational quality and efficiency. Smaller districts cannot afford to supply special educational needs such as services for the handicapped. In addition, depth of management is not available and the general quality of education is lessened.

Reorganizing and reducing the current number of school districts would help alleviate these problems. A table depicting current district enrollment levels is shown to the right. Consolidation would provide economies in purchasing and food service operations and reduce the administrative responsibilities of the Department of Education.

Implementation is expected to provide an annual saving of \$706,000 through the elimination of at least 52 school districts with enrollments of 4,000 pupils or less.

DISTRICT ENROLLMENT LEVELS				
Enrollment	County	Number of Districts		Total
		City		
1 - 1,000	—	4		4
1,001 - 2,000	—	13		13
2,001 - 3,000	7	21		28
3,001 - 4,000	15	4		19
4,001 - 5,000	10	4		14
5,001 - 6,000	9	2		11
6,001 - 9,000	13	6		19
9,001 - 12,000	8	2		10
12,001 - 16,000	2	1		3
16,001 - 73,000	3	2		5
Totals	67	59		126

2. Establish a work measurement program for classified positions.

Substantial savings in payroll costs could be achieved if a work measurement program was established to study classified secretarial, clerical, and administrative positions. Implementation would require hiring a measurement systems analyst at an annual cost of \$15,000. The potential saving should be approximately \$250,000 per year.

3. Establish a forms management and publications control section.

Initiating a forms control program in the Department of Education would reduce preparation, filing, and mailing costs. Subjecting forms to constant review and analysis will eliminate unproductive documents and provide a means to update and improve others. Another area which needs established controls is that of publications. Too much material currently published is of little value or outdated because of delays in preparation and printing.

A forms management and publications control section should be structured to:

- ▶ Establish the minimum amount of information, data, and statistics required by the State Superintendent of Education, the Legislature, and other government agencies to make management decisions and allocate funds efficiently.
- ▶ Set a format and choose a publication method which will provide maximum utility of this information. The capability of data processing equipment to store and print statistical data should be considered in lieu of printing for distribution to a limited number of users.
- ▶ Determine if statistical data could be published in summary form for general mailings.

- ▶ Evaluate books, brochures, reports, and newsletters submitted for publication on a cost versus benefit basis.
- ▶ Review the information to be published to ensure that the method of presentation and the amount of data will be of value to the recipient.
- ▶ Initiate a forms design and control program to obtain standardization, improve utility, and reduce costs. Differences in format should be kept to a minimum.
- ▶ Review all material submitted for publication to establish priorities, improve content and format, and reduce or eliminate additional expense.
- ▶ Seek alternate sources of publication during periods of high volume, such as the use of prison labor or trade schools.

There would be some costs involved. Overall savings are difficult to determine, but implementation is conservatively expected to provide an annual saving of approximately \$50,000.

4. Set up a unit in the Graphic Arts Section of the Division of Departmental Services to produce magnetic tape for composition of publication material.

Almost all material for publication is typed in the originating department and forwarded to Graphic Arts for photostatic plates. Modifications or errors mean that part or all of the material must be re-typed. The entire process is slow and costly. Operation of one or more magnetic tape composer units, manned by experienced personnel, would achieve the following:

- ▶ Material could be submitted in rough draft. Modifications made on tape would automatically correct the composition and typing costs would be reduced.
- ▶ A more legible and attractive format would be provided.
- ▶ The necessity for plate reduction would be eliminated when smaller type was desired.
- ▶ Publication size would be reduced since single rather than the current double spacing could be used.

The Department of Education already owns two pieces of equipment which could be used for this purpose. Operators could also use these units to

prepare repetitious letters and statistical reports. It is expected that implementation would reduce printing costs by as much as 50%. A conservative estimate of the annual saving is \$35,000.

5. Establish regional school transportation systems under the direction of the State Supervisor of Pupil Transportation.

The most promising solution to the problem of rising and varying pupil transportation costs appears to lie in consolidation of individual district operations. State funds are distributed to the districts on the basis of the number of pupils, living at least two miles away, who ride buses as well as pupil density patterns.

Equipment replacement decisions are based primarily on the availability of funds rather than the actual needs of the district. Also, there is little state control over purchasing, maintenance work, and preventive maintenance practices.

To establish the proposed system, the state should be divided into transportation regions which would function under the direction of the State Superintendent of Pupil Transportation. Student population and geographic considerations would be the determining factors in the reorganization of facilities and coordination of a centralized purchasing system for parts and supplies.

Regional directors would be charged with implementation. Major responsibilities would include supervision of personnel, assistance in locating and operating garage facilities, and regulation to ensure that maintenance standards are followed. Driver training and licensing, safety inspections, and pupil safety programs would be additional duties. Implementation will provide effective management of public school transportation operations. Potential savings are expected, but cannot be quantified.

6. Establish an organization within the Department of Education with responsibility for overall educational planning.

It is economically desirable to have an organizational unit which would be responsible for planning both academic and noninstructional activities. Under the direction of an experienced executive, the unit could define objectives, improve coordination, remove overlapping functions and programs, set immediate and long-range goals, and establish priorities. Long-range savings should involve millions of dollars. Reassignment of duties should make additional personnel unnecessary.

7. Remove the requirement that department purchase requisitions and vouchers have the certification of the State Superintendent of Education regarding correctness and legality.

All department purchase requisitions must contain a certification by the State Superintendent of Education that the articles are needed, the amount requisitioned is not excessive, and that no part of the material will be used except in conducting public business. This certification must be sworn to and subscribed before a notary public. The superintendent must also sign payment vouchers to indicate the correctness of the account to be paid.

This requirement is archaic and demeaning. Abolishing it will speed the work flow, free the superintendent from unnecessary detail, and should provide an annual saving of at least \$10,000. Responsibility for such approvals should be transferred to authorized persons who have personal knowledge from which such certifications can be made.

8. Repair textbooks at a bindery and enforce fines for loss, abuse, and damage.

The average life of a textbook is about four years. However, this could be extended two or three years if repairs were performed at a bindery. The estimated cost is \$1.25 per book, compared to \$4.23 for a new text. A schedule of fines has been provided for loss, abuse or damage, but this is not enforced.

It is believed that a program on proper textbook care, implemented by the Department of Education, and strict assessment of fines would also add to the service life of state-provided books. Consideration should be given to a system of deposits as a deterrent to loss or damage. The annual cost is estimated at \$30,000. The annual saving to be achieved would be \$386,000.

9. Reorganize present department accounting procedures.

The accounting and data processing effort within the Department of Education suffers from a lack of unified direction and control. Therefore, a management accountant or a systems and procedures analyst should be employed to reorganize, update, and direct an overall accounting effort. He would also be responsible for preparing procedures manuals to standardize operations and improve employee training. Savings through increased efficiency should more than offset any implementation costs.

10. Modify the method of disbursing and accounting for vocational education funds.

Streamlining the methods now used by the Division of Vocational Education to disburse and account for funds would relieve some financing problems in local districts and reduce reporting requirements at local and state levels. The annual saving to be realized is estimated at \$10,000.

11. Invest available cash controlled by various school boards in short-term notes.

When cash is available, even for only a few days, the school districts should invest it in short-term government notes. No estimate can be made of the potential income to be realized.

12. Automate voucher information.

Voucher posting sheets are now prepared manually by three people in the Accounting Section of the Division of Administration and Finance. Providing automatic printouts of the information on data processing equipment would produce an annual saving of \$15,000. Further, it would avoid delays which now occasionally occur.

13. Transfer duties of the school architect to the Building Commission.

The Department of Education employs an architect to make final inspections on completed construction projects as well as year-end examinations to determine what deficiencies need correction. The technical staff of the Building Commission is better equipped to perform the duties now assigned to the school architect. Eliminating this position would provide an annual saving of approximately \$50,000.

14. Discontinue grants from the Alabama Special Trust Fund to various private educational institutions.

The Legislature has made annual grants to Lyman Ward Military Academy, the Marion Institute, and Walker Junior College to be used for their support and maintenance. In fiscal 1971, the combined grants totaled almost \$193,000 while the amount for fiscal 1972 is estimated at almost \$490,000.

There is no justification for making such grants from the Alabama Special Educational Trust Fund to these institutions when other private schools do not receive similar monies. Elimination of the grants will provide an annual saving of \$490,000.

15. Establish a system to coordinate visits from the Department of Education.

There are many visits made to the school systems by department personnel. Review would indicate

that a program to coordinate such travel more efficiently could reduce the cost by at least 10%. Implementation would provide an annual saving of \$36,000.

16. Modify the method for employing vocational education teachers.

At present, these teachers are interviewed in Montgomery although they will be employed by local school districts. Savings could be realized by allowing the districts to interview and select its own vocational teachers. However, none are claimed.

17. Appoint a purchasing coordinator for food service operations in elementary and secondary schools.

At present, each school does its own purchasing without benefit of guidelines or cost standards. Establishing a coordinator should reduce overall costs by \$87,000 a year. The annual cost is estimated at \$25,000.

18. Establish a Division of Post-Secondary Education to include junior colleges and trade schools and phase out the Division of Vocational Education.

Since the state's junior colleges and trade schools now number 45, these institutions need the leadership and supervision of a central agency. Also, there appears to be no reason to distinguish between vocational and other types of instruction. Implementation of this proposal would include:

- ▶ Establishing a Division of Post-Secondary Education to include junior colleges and trade schools.
- ▶ Eliminating the Division of Vocational Education by transferring its functions to other operating units in the state's Department of Education.
- ▶ Phasing out the division's field offices and moving the clerical activities to Montgomery.

The annual saving anticipated through personnel reductions would amount to \$350,000.

19. Empower the county boards of education to select, appoint, and supervise county school superintendents.

In 42 counties, the school superintendent is elected by popular vote rather than appointed by the county board of education. When the superintendent is responsible to both the board and the local voters, he may be placed in an un-

tenable position in regard to carrying out board policies.

Adequate experience and continuity in office, both desirable, are more likely when school superintendents are appointed. In addition, the political label which accompanies a school administrator who must run for office, as well as recurring campaign demands, may deter career educators from seeking the office.

20. Revise teacher certification procedures.

During fiscal 1971, some 14,000 certifications and 8,500 recertifications were issued to state teachers. A recent legislative amendment makes all certifications probationary for one year and requires recertification at the end of that period. An average of two months is required for certificate issuance. The peak work load at graduation time creates problems both for the schools who desire to employ new teachers and for the Department of Education.

Authorizing the president, dean or registrar of an in-state school from which the applicant graduated to issue the probationary certificate at graduation — forwarding a transcript and application to the Department of Education — would reduce the work load and speed the certification process. It would also eliminate the necessity for adding personnel to the department, resulting in an estimated annual saving of \$20,000.

The current \$2 fee for certificates does not adequately cover the administrative cost. Raising the amount to \$5 would be more realistic. The additional annual income would be approximately \$109,000.

Junior Colleges and Trade Schools

The Alabama Junior College and Trade School Authority is responsible for building facilities as they are needed. The resulting institutions are managed and controlled by the State Board of Education.

As of October 1971, there were 18 state junior colleges and 27 technical institutions. The 1971 FTE student enrollment for junior colleges was 21,543. The head count of vocational students for the same period numbered 16,627. The state appropriation for junior colleges in fiscal 1972 amounted to almost \$11.8-million. Funds for trade schools totaled approximately \$10-million. The work force in fiscal 1971 included 1,384 full-time

instructors, 289 part-time teachers, and 1,337 noninstructional personnel.

Growth in enrollment has been so rapid, it has outstripped planning. This has resulted in inefficiencies in organizational structures and procedures. Certain policies need upgrading, particularly in the areas of student enrollments, course offerings, financial practices, building utilization, and fees.

RECOMMENDATIONS

21. Reorganize the junior colleges and technical institutions.

Under the present arrangement, the junior colleges and technical institutions are managed and controlled by the State Board of Education. This means that 45 subordinates must report to one administrative office.

To resolve this problem, the state should be divided into four districts. Each district administrator would be responsible for the junior colleges and technical institutions located in his area. In addition to a more effective administrative structure, implementation would provide improvements in accounting, financial reporting, and personnel practices.

Approximately 50% of the institutions had head count enrollments of less than 500 students with an average of 10 administrative and eight maintenance employees at each institution. This seems excessive. The annual saving through reduced employee levels at each institution is estimated at \$1.25-million.

22. Update course policies in state vocational schools.

There appears to be no systematic planning in regard to the length of time a course will be offered or what should constitute an enrollment minimum. Therefore, a study should be conducted to determine how long the courses should be taught, the best method for scheduling new admissions, and the number of students needed for minimum enrollments. Implementation will result in more effective use of facilities, instructors, and funds.

23. Adopt the new chart of accounts.

A new chart of accounts was issued in July 1971. It enables an institution to account for costs by function and by organizational unit. Through its use, meaningful financial reports can be prepared

so that responsible persons can better manage the source, control, and use of funds.

In order for the chart to be of maximum use, accounting procedures in junior colleges must be completely automated. It is proposed that this management tool be extended to the state's technical institutions as quickly as possible.

24. Establish standards for reporting financial data.

Financial reports prepared by the institutions contain inconsistencies in the reporting of various cost comparison data. Therefore, standards should be established which would ensure that reports contained adequate, uniform data needed for effective management decisions and performance evaluations.

25. Establish a purchasing authority in each of the proposed four state regions to do the buying for schools in their respective areas.

At present, each school does its own purchasing. The annual volume for the 18 junior colleges and 27 trade schools totals approximately \$3.4-million. Establishing regional purchasing authorities to handle school buying would have the following advantages:

- ▶ Experienced purchasing personnel would do all of the buying.
- ▶ An effective organization would be created to standardize the purchasing function.
- ▶ Administrative personnel at the various schools would be able to utilize their time more effectively.
- ▶ Savings to be generated by large volume buying should be at least 3% of total expenditures or about \$104,400 annually.

26. Establish cost control procedures and set work standards for building operation and maintenance.

Wide variations exist in the cost of operation and maintenance per 1,000 square feet of building space among the various junior colleges and technical schools. The average amount reported was \$883 for the junior colleges and \$768 for the technical schools. Establishing a formal cost reduction program — including work standards for maintenance personnel and cost control procedures — should provide an annual saving of \$385,000.

27. Allocate capital funds systematically on a need basis.

The absence of a master plan for establishing new facilities has resulted in institutions being established on a rather haphazard basis. Therefore, future construction should be approached systematically and only when need can be fully documented. The annual saving through more efficient use of capital funds is estimated at approximately \$1.5-million.

28. Increase tuition charges at junior colleges and trade schools and put the trade schools on a quarterly payment system.

Because of rising operating costs, an increase in tuition rates is in order. Junior college fees should be raised to \$75 per quarter. Vocational school tuition should be set at \$60 per quarter.

In addition, changing the vocational school payment system from a monthly to a quarterly procedure will substantially reduce clerical personnel requirements. The annual income to be realized through implementation is estimated at more than \$1.82-million.

29. Provide a consistent method of establishing student enrollment.

The varying methods used by the schools to establish enrollment figures make it impossible to prepare reliable statistical reports for comparison purposes. A uniform reporting system should be established. The Department of Examiners of

Public Accounts should be responsible for verifying the accuracy of the student enrollment count.

30. Eliminate the free transportation program.

At present, students of junior colleges and trade schools are provided with free transportation. The per-student cost was almost \$94 for the junior colleges and \$148 for the trade schools. Total operating expenses have increased annually, although the number of students riding buses has decreased.

Therefore, the program should be phased out in such a way that students involved will have time to make other transportation arrangements. Implementation will provide an annual saving of \$1-million. Only about 17% of the current student enrollment will be affected.

31. Place all auxiliary enterprises on a self-sustaining basis.

In fiscal 1971, auxiliary enterprises grossed \$1.9-million in the junior colleges and \$1.1-million in the technical schools. Although most are self supporting, no attempt is made to allocate overhead expenses to these operations.

A charge of 5% of gross revenues would reduce the operating costs of the institutions involved by \$150,000. Two of the junior colleges operated dormitories at a loss of \$90,000 in fiscal 1971. Putting these facilities on a self-sustaining basis would provide an annual income of \$90,000.

Alabama A & M University

This university, located in Huntsville, seeks to provide a college education to all capable individuals interested in developing knowledge and technical or professional skills.

PRESENT PRACTICES

The university operates under the State Board of Education which appoints the president as the chief administrative officer. The Director of Placement and the Vice Presidents for Student Affairs, Business and Finance, Public Relations, and Development and Academic Affairs supervise major operations under his direction. For fiscal 1972, the total operating expense is estimated at \$8.47-million of which \$2.51-million represents state appropriations. The enrollment of FTE students

for this period reached 2,538 while university employees numbered 382.

OPERATING EFFECTIVENESS

The university is performing its assigned functions in a satisfactory manner. On the whole, administration of the university's affairs is handled well. Some functions do offer improvement opportunities. They include fee structures, the accounting system, and maintenance of inventory records.

RECOMMENDATIONS

1. Institute a computerized cost accounting system.

At present, the university has no cost accounting system and it is impossible to determine the ac-

tual cost of operation for any single function. However, it does have adequate capacity to set up a computerized cost accounting system. Implementation will require the addition of a programmer to set up and administer the applications. The annual cost is estimated at \$10,000, but this will be offset by the potential saving.

2. Automate the inventory system.

The present inventory system is out of date and does not provide meaningful management information. An automated inventory, with provisions for updating information regularly, would help control maintenance costs and prevent purchasing duplications. Potential savings cannot be estimated, but they should be significant.

3. Increase the student application fee.

The current charge of \$5 does not begin to cover processing costs. A more realistic rate would be \$15. Based on 2,300 applications, an additional annual income of approximately \$23,000 would result from implementation.

4. Increase the out-of-state student fee.

The present fee is \$75 per semester. This does not cover the state's cost per student which, based

on 15 credit hours, averages \$420 per semester. Raising the fee to this amount would produce additional annual income of approximately \$95,000 at current enrollment levels.

5. Increase the change-of-course fee.

The university charges \$1 to change courses. Since the procedure almost amounts to a re-registration, a fee of \$10 would more adequately reflect the processing costs involved. Implementation would provide additional annual income of approximately \$14,400.

6. Increase the transcript fee.

At present, the university allows each student one free transcript and charges \$1 for subsequent copies. A more realistic fee structure would charge \$3 for each transcript, including the first. Implementation would provide an annual income of about \$2,600 to help offset processing costs.

7. Institute a fee for campus parking permits.

The university has issued approximately 812 parking permits for which no fee was collected. A charge of \$5 would produce an annual income of about \$4,100 to help offset parking and security expenditures.

Alabama State University

This university was established in 1873 in Marion as an institution for black students and teachers. In 1889, it moved to Montgomery where the two-year college program was authorized in 1920, the four year curriculum in 1929, and graduate studies in 1940.

PRESENT PRACTICES

Alabama State University operates under the control of the State Board of Education. General administration is assigned to the president, who is appointed by the board. The Vice Presidents for Academic Affairs, Research, Innovation and Evaluation, Student Affairs, Administration, and Public Affairs and Development supervise major operations and report directly to him.

The campus is situated on 62 acres and consists of 27 buildings, including six dormitories. It is in the process of acquiring additional land to enlarge the campus to 77 acres. In fiscal 1971, total

operating expenses reached \$6.58-million including a state appropriation of \$2.54-million. There were 345 staff members, including 234 academic personnel. Student enrollment was 2,255.

OPERATING EFFECTIVENESS

The university is fulfilling its educational objectives, but there are several areas where business practices could be improved. These include the fee structure, auxiliary operations, and implementation of the proposed computer system.

RECOMMENDATIONS

1. Operate the faculty dining hall, bookstore, and snack bar on a self-sustaining basis.

During fiscal 1971, these auxiliaries were operated at a combined loss of \$37,600. This amount includes debt service, but not general or administrative overheads. Because these are small operations, the fixed costs make it difficult for the

auxiliaries to maintain themselves on a self-sustaining basis.

Therefore, selling prices should be reviewed and adjusted and cost reduction techniques employed wherever possible to eliminate the loss and provide for overhead expenses. The school may also wish to investigate the possibility of contracting the food service to an outside caterer. Implementation should provide an annual saving of approximately \$45,000.

2. Operate residence halls on a self-sustaining basis.

The university provides dormitory space for approximately 1,000 students. In fiscal 1971, Simpson, Benson, and Trenholm Halls experienced a loss, after debt service, of \$48,800. No overhead was charged to the residence halls. These auxiliaries of Alabama State University should be put on a self-sustaining basis.

A study should be conducted to determine the minimum number of employees required by these operations. By initiating a cost reduction program and promoting full occupancy, the university should realize an annual saving of \$48,800 to offset the present loss.

3. Implement the proposed computer system as soon as possible.

Alabama State is now using a card type accounting system. The proposed computer would cost \$2,700 more annually. It is believed that savings from eliminating the preprinted forms will offset the additional cost. In addition, the proposed system will be able to process more applications and provide the university with more meaningful management information.

4. Reorganize the university's Campus Security Department.

This department employs 11 security men and a clerk typist. By assigning the typing responsibility to the business office and using students on a part-time basis, it is expected the personnel level could be reduced by two positions. The annual saving would total \$12,000.

5. Increase the student application fee.

The university charges a \$10 admissions fee to students applying for the first time. In fiscal 1971, processing costs exceeded revenues by 40%. Therefore, the fee should be raised to \$14. The annual income to be generated is estimated at \$5,000.

6. Establish a student registration fee of \$4 per quarter.

At present, the university does not charge for registration. To recover a portion of the cost of this activity, a fee of \$4 per quarter should be established. The annual income to be derived from implementation of this fee is estimated at approximately \$10,000.

7. Increase the tuition charge and separate the fees paid to the university for athletic and student activities.

Under the present fee structure, resident students taking nine or more credit hours per semester pay \$110. Nonresident students pay \$185. Of the \$110, only \$55 is applied to the cost of instruction. This is out of proportion when compared with other institutions in the state. The remainder is allocated to athletic and student activities or other services.

The amount applied to instructional costs should be raised from \$55 to \$91 for 15 or more credit hours per quarter. At the same time, charges allocated to athletic and student activities should be separated from the tuition fee and set forth in the catalog as athletic and student activity fees.

Based on an anticipated enrollment of approximately 2,300 full-time students, implementation will result in additional annual income of approximately \$275,000.

8. Increase the health center fee charged to university students.

The university operates a full-time health center at an annual cost of \$33,000. Students are charged \$1 per quarter, providing an annual income of approximately \$4,800. By increasing the fee to \$5 per quarter, the university will realize an additional annual income of \$30,000 to offset the cost of this service.

9. Adjust the student activity fee to recover the total cost of applicable services provided to them.

At present, student fees include a \$20 charge for various student benefits. This charge does not cover the cost of the services provided. The annual deficit is approximately \$17,000 before adding overhead expenses. Therefore, this activity fee should be adjusted sufficiently to provide an increased annual income of \$20,000 so the full administrative costs of furnishing these services can be recovered by the university.

Institute for the Deaf and Blind

This institution provides special instruction and study to the blind and deaf. Additionally, it helps develop, maintain, and supervise workshops for the blind, deaf, and severely handicapped.

PRESENT PRACTICES

The institute is divided into a school for the blind, one for the deaf, and one for the deaf and blind as well as an adult department for the deaf and blind. Each facility occupies a separate campus in Talladega.

The adult department is composed of the Special Technical Facility, the Alabama Industries for the Blind, and the Alabama Regional Library for the Blind. A 600-acre farm which provides meat, poultry, and eggs operates at a loss.

OPERATING EFFECTIVENESS

There is no doubt that this institute performs an effective humanitarian service. The current annual cost for a resident student over a nine-month period is approximately \$3,900. Student enrollment has been on the decline, but revenues and expenses have risen sharply since fiscal 1968. The greater increase has been in personnel costs. The ratio of students to personnel has decreased in the past two years to 2:1 except in the Special Technical Facility.

A lack of sufficient working capital, changes in product lines, and inadequate volume has made full-time employment and profitable operation difficult for the Alabama Industries for the Blind.

RECOMMENDATIONS

- 1. Require state departments and agencies to comply with purchasing legislation regarding the Institute for the Deaf and Blind.**

State law provides that articles manufactured by this institute, when they are competitive and meet the requirements of the using agencies, shall have preference over items supplied by other contractors. A number of departments, institutions, and agencies are not complying with this law, although penalties are provided for violations. If sales volumes could be increased through enlarged state purchases, it is estimated that an annual saving of \$50,000 would be achieved.

- 2. Discontinue the farm operation.**

The farm operation now used to supply meat, poultry, and eggs has been operating at a loss since fiscal 1969. Discontinuing this activity would provide an annual saving of \$12,000. Selling the equipment would provide a one-time income of \$10,000 and leasing the property would produce an annual income of \$6,000.

- 3. Establish a revolving fund for the institute's working capital.**

From time to time, particularly near the end of the fiscal year, working capital requirements are a hardship on the institute. In some instances, cash discounts are lost or short-term loans must be obtained. To eliminate the problem, a revolving fund should be established at a one-time cost of \$250,000.

Educational Television Commission

This commission surveys, studies, and appraises the need for an overall plan to make television available for noncommercial, educational purposes within the state.

PRESENT PRACTICES

In 1953, Alabama established the nation's first educational television network. It consists of nine stations and gives total state coverage. Approximately 2,000 miles of state-owned microwave

systems link the stations and three translator-transmitters.

For programming, the commission contracts with several universities, educational boards, and the National Educational Television and Public Broadcasting Service. Each of the program centers is autonomous in the development of its projects. Two of the universities, Alabama and Auburn, receive separate fund appropriations.

Committees to advise and assist in the selection offered include the Program Board, Program Board Working Committee, and Program Advisory Committee. A section within the Department of Education also works with the commission to promote and coordinate in-school instructional projects. Funding for this activity is approximately \$50,000 per year.

OPERATING EFFECTIVENESS

The commission has performed an outstanding service in bringing cultural and educational opportunities and resources to the people of Alabama. Because of numerous difficulties in establishing successful in-school projects, this area appears underutilized.

The commission and the Department of Education consult with local program production agencies. However, they have no authority to direct these sources to produce material which will meet the needs of local schools. A growing number of school districts are installing closed circuit systems to enlarge the use of educational television (ETV) in classroom instruction.

Although ETV is costly, it can be a very effective aid to classroom and teacher instruction. However, without centralized management of programming, scheduling, and long-range planning for capital outlays, its effectiveness is reduced and many expensive mistakes are likely. Pooling purchases combined with intelligent selection of equipment can result in substantial savings. Because the annual appropriation for the commission is suballocated to specific uses, needed flexibility is lost. A lump sum would give greater freedom in operations and expenditures.

RECOMMENDATIONS

1. Place broadcasting stations, programming, and in-school use of educational television under centralized management authority.

Problems connected with the development of educational television uses include:

- ▶ Determining teacher needs.
- ▶ Obtaining programming and scheduling of statewide broadcasts.
- ▶ Increasing the use of television in classroom instruction.
- ▶ Counseling local school districts on ETV.
- ▶ Improving costs through centralized or large-volume purchases.
- ▶ Establishing long-range plans.

To meet these problems effectively, Alabama's educational television system should be placed under centralized management and authority. It is difficult to estimate the amount of savings or the increase in efficiency which will result.

2. Negotiate statewide contracts for purchases of broadcasting equipment, television sets, recorders, video tapes, tubes, and other electronic components.

The commission spends approximately \$50,000 annually on video tapes, tubes, and electronic components. It also buys broadcasting equipment. Other state government agencies make similar purchases.

By combining requirements in this area under a statewide contract, it is felt that a 10% to 15% discount could be obtained. Commission savings would total approximately \$7,500 annually. The total saving is estimated at \$15,000 per year.

Public Library Service

The Public Library Service was established with the primary purpose of aiding and advising legally established public libraries in the state. It is responsible for the state library plan and the quality of public library services in Alabama.

PRESENT PRACTICES

The Public Library Service is governed by a five-member executive board. The board appoints a

director to serve as chief administrator of the organization. In addition to the director, this agency employs 27 persons. It provides professional and technical guidance to 19 public library systems and 72 public libraries as well as the statewide regional library for the blind. This represents a total of 171 public libraries. The agency also controls some 395,000 volumes which it circulates through the nonsystem libraries.

Additional responsibilities include application for and administration of federal grants which libraries use to purchase books, finance construction, and fund new services. The current state appropriation is \$254,500. The total estimated expenditure for fiscal 1972—including federal funds—is almost \$1.3-million.

OPERATING EFFECTIVENESS

This is an extremely busy and efficient agency. Despite limited funds, the Public Library Service is doing a good job of fulfilling its designated function. Management practices are exemplary and results outstanding, particularly when compared with other states which expend considerably more in this area. A table depicting the comparison is shown to the right. The physical layout and book cataloging and distribution methods could be improved.

RECOMMENDATIONS

1. Improve the current physical layout.

Agency activities are carried out in physically separate locations, several blocks apart. The primary space is located in the state office building. Facilities are cramped and inadequate. Consideration should be given to relocating this agency in a single area with adequate facilities. Any costs

PUBLIC LIBRARY SERVICES				
Name of State	Number of Professional Librarians	Supporting Staff	Total Staff	Fiscal 1971 Appropriation
Florida	12	36	48	\$1,825,484*
Kentucky	28	109	137	3,186,809*
Mississippi	19	46	65	1,114,953*
North Carolina	28	67	95	2,770,231
Tennessee	13	89	102	3,482,280
Alabama	10	19	29	254,250
Georgia	18	39	57	532,200
South Carolina	12	23	35	790,312

*Not including Construction Funds under Title II

should be more than offset by the improvement in operating efficiency.

2. Institute a study to determine the feasibility of placing book circulation and inventory information on a computer.

Manually controlling books in circulation plus an increasing demand for research material has increased the work load of this agency greatly. A study should be undertaken to determine the feasibility of placing circulation and inventory information for all public and institutional libraries on a computer.

The estimated one-time cost of installing such a system is \$10,000. Implementation would result in long-term savings in clerical expenses.

Education Study Commission

This eight-member commission analyzes and evaluates educational resources, programs, policies, and financial needs of public education and makes recommendations to the Legislature.

OPERATING EFFECTIVENESS

Since the commission is still in an organizational stage, an evaluation of its operating effectiveness is not possible. It has employed a management consulting firm to guide it in preliminary planning and organizing efforts.

The Commission on Higher Education was established concurrently with the Education Study Commission. Since both are authorized to make recommendations relative to institutions of higher learning, an understanding should be reached as to their respective responsibilities. The study commission should also exercise care to avoid usurp-

ing functions or duplicating efforts that should be carried out by the Department of Education. In addition, reliance on high-cost management consulting services to give it direction should be minimized.

RECOMMENDATION

1. Restrict the scope of the Education Study Commission to elementary and secondary education.

At present, both the Commission on Higher Education and the Education Study Commission are authorized to evaluate and make recommendations regarding institutions of higher learning. To avoid duplications and unnecessary expense, the Education Study Commission should restrict its scope of activities to elementary and secondary schools.

heads who are near retirement. There are too many bureaus and commissions reporting to the State Health Officer for efficient administration and the department's use of data processing equipment needs improvement. Fee structures are inadequate and some of the branch laboratories appear unnecessary.

Basically, the department renders services through county health units. There seems to be a great difference in the quality of services rendered by the various units and there are not enough county health officers to provide effective coverage for these operations.

RECOMMENDATIONS

1. Reorganize the Department of Public Health.

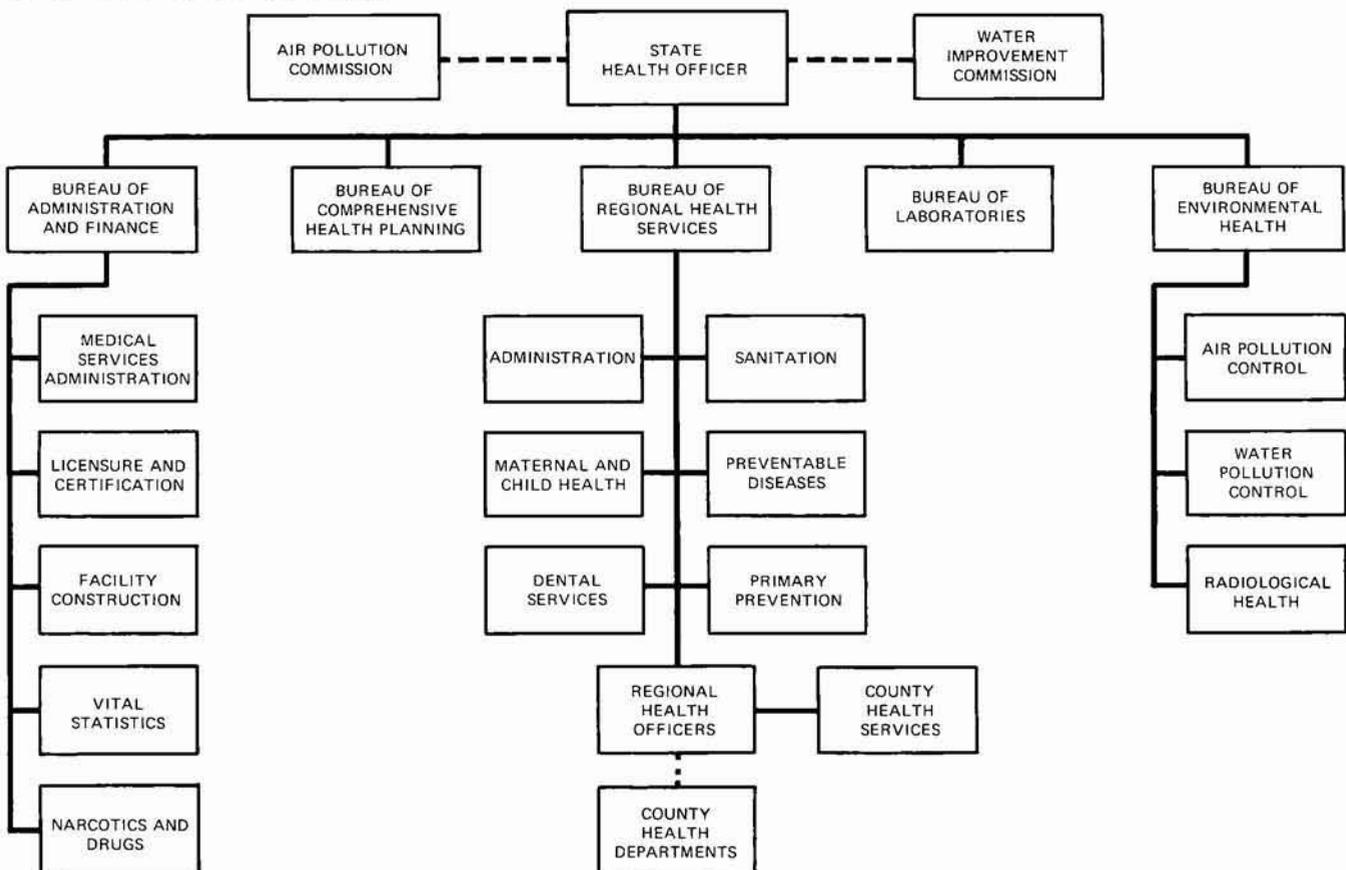
The effectiveness of the state's health programs depends almost entirely upon individual county health departments. The result is a wide variance between county units. The Department of Public Health, as shown in the organization chart on the

previous page, has seven bureaus with health programs designed for administration at the county level. In most instances, there is no inter-bureau coordination of activities.

By restructuring the Department of Public Health as illustrated in the proposed organization below, a coordinated program can be directed at the various county health departments. The most significant change would be the development of a Bureau of Regional Health Services. It would establish an organized statewide program and provide assistance to regional health officers in their administrative duties.

Functions within the bureau would include sanitation and inspection, preventable diseases, administration, dental health services, primary prevention, and maternal and child health. Eight regional health officers would be employed to provide services to the county health departments. They would be responsible for implement-

PROPOSED ORGANIZATION DEPARTMENT OF PUBLIC HEALTH



ing the entire health program within their assigned regions. Personnel could be drawn from existing bureaus and many support functions now maintained by these separate operations could be combined.

2. Establish more rigid budget procedures.

Under current procedures, bureau budgets are rather flexible. As long as total costs remain reasonable, no action is taken. Establishing more rigid standards will enable department officials to more effectively control and administer their programs.

3. Change accounting procedures to provide detailed operating costs for each bureau or division.

Modifying the accounting procedures to detail division and bureau operating costs would generate more accurate information for planning and control of department programs. Implementation would result in better utilization of available funds.

4. Relocate the data processing functions to the state's data processing center.

Part of the department's data processing functions are contracted to a bank and a university. By transferring all of the bank's functions and a portion of the university's activities to the state's data processing center, it would be possible to improve the service and realize a total annual saving of \$308,000. Of this amount, half would be state and half federal funds.

5. Renegotiate insurance contracts.

Medicaid administration rates charged by the two present insurance carriers are 12% and 14.8%. Figures from government and industry sources indicate that administration costs should range between 4.5% of premiums to 6% of benefits paid.

On this basis, the current contracts should be renegotiated to a more equitable figure. The annual saving to the state is estimated at \$198,200. Federal savings would be approximately \$702,800 per year.

6. Hire an accountant to handle reviews of Medicaid cost reports for nursing homes.

The Medical Services Administration contracts for this service at an annual cost of \$42,000. A qualified accountant could be hired to handle this duty at an annual cost of \$12,000. The annual saving would be \$42,000.

7. Eliminate the issuance of Medicaid cards to ineligible recipients.

At present, cards for the following month are issued to recipients on the basis of the current month's eligibility list. The result is an annual overpayment of approximately \$604,000 in Medicaid benefits. Basing issuance on properly updated lists will eliminate the problem and provide an annual saving of \$604,000.

8. Eliminate one clerical position in the Bureau of Maternal and Child Health.

There are three secretary-clerks which support the bureau director and three staff professionals. The clerical section is overstaffed for its present work load. Therefore, one position should be eliminated for an annual saving of \$5,200.

9. Eliminate the Health Mobilization Division.

This division was established to locate storage facilities for emergency hospital units in times of disaster. The Civil Defense Department is adequately staffed to administer this function and now operates several similar programs. Eliminating the division will save \$14,400 annually.

10. Substitute correspondence for travel whenever possible.

By establishing a program of correspondence with doctors and facilities required to conform to civil rights regulations in regard to Medicare and Medicaid, travel expenditures for the purpose of investigating complaints could be reduced. The annual saving is estimated at \$1,100.

11. Close four branch facilities in the Bureau of Laboratories.

By closing four of the eight branch laboratories, excess facilities would be eliminated for an annual saving of \$90,000. The branches to be eliminated include Dothan, Huntsville, Selma, and Tuscaloosa.

12. Transfer the environmental health laboratory to the Bureau of Laboratories.

The Bureau of Environmental Health is in the process of setting up laboratories which will duplicate available facilities. Combining the proposed laboratory with those of the Bureau of Laboratories will result in improved utilization of equipment and facilities.

13. Eliminate the film librarian in Huntsville.

This position, funded by the Bureau of Primary Prevention, is unnecessary and should be abolished. The annual saving would be \$7,000.

14. Increase the fees for licensing and certifying medical facilities.

Present fees do not cover administration costs. By increasing the charge to \$60 plus \$1 per bed for facilities with more than 49 beds, an annual income of \$30,000 would be generated.

15. Increase the fee for adoptions, affidavits, and legitimations.

The present fee does not cover processing costs incurred by the Department of Public Health and should be increased to \$5. The annual income is estimated at \$45,000.

Department of Mental Health

This department is responsible for managing state mental health facilities and providing necessary mental health services to the people of Alabama.

PRESENT PRACTICES

Department operations consist of three major areas: administrative, business and finance, and mental hospitals. Certain other personnel headquartered in Montgomery also serve the needs of the department's commissioner in a staff capacity. They include the land manager, assistant attorney general, and public information officer.

The department is funded by state appropriations, federal grants, and private contributions. Operating expenses for fiscal 1971 were slightly more than \$26-million. Approximately 90% was used to maintain the department's major hospitals.

At the end of the last fiscal year, there were 8,200 patients in residence at these institutions and an additional 5,000 persons received treatment at these facilities during fiscal 1971. Community service branches served an additional 12,000 patients with less severe problems.

OPERATING EFFECTIVENESS

Mental health services are provided by a limited number of department employees operating on a very restricted budget. Until recently, the appropriation provided by the Legislature for mental health services was only \$6.37 per patient day.

In the area of personnel, many of the divisional and department heads at state institutions are senior employees who do not have subordinates capable of succeeding them. This is principally because the state merit system is not competitive with other economic units seeking the same skills. An adjustment must be made in the classification process in this area to avoid a personnel crisis.

The quality of the financial planning function also needs improvement. At present, true financial planning does not exist. User groups tend to operate somewhat autonomously and financial reporting in regard to program costs is both after-the-fact and incomplete.

Still another weakness is the tendency of the department to concern itself more with verification of expenses rather than management of them. This is probably the result of the influence of another state agency which works in conjunction with the department.

RECOMMENDATIONS

1. Change the budget format of monthly financial reports to provide more useful information to managers.

In the present format, managers must manually extract certain information before evaluations of operating performance can be made. A more useful method would include:

- ▶ Description.
- ▶ Current month: budget and actual.
- ▶ Year-to-date: budget and actual.
- ▶ Variance.

This approach would inform the business manager where he stood and on what accounts, if any, he was over budget. No savings are claimed.

2. Change the financial reporting systems used by the mental health institutions.

The systems should be changed to more accurately reflect the operating philosophy of the Department of Mental Health and to provide a basis for judging the cost effectiveness of new programs. As it now stands, those responsible for program design do not have a good idea of what costs are involved or what benefits are being derived.

It is estimated that the additional accounting personnel needed to generate meaningful financial reporting data will cost \$75,000 per year. However, the department is now spending \$35-million annually on programs and this is expected to increase to \$50-million. Meaningful financial data is essential. More efficient guidance on expenditures should provide sufficient savings to offset implementation costs.

3. Conduct operational and financial audits of community mental health facilities.

The Department of Mental Health advocates a policy of decentralized mental care responsibility. The strength of this approach is dependent upon the effectiveness of community mental health units.

To coordinate the efforts among these facilities and improve overall communications, periodic financial and operational audits by mental health personnel should be made. In addition to standardizing mental health care, implementation will provide better controls over the spending of state-provided funds by individual units.

4. Install a cost accounting system for auxiliary enterprises.

Several institutions have auxiliary enterprises such as laundries, farms, and the like to provide various services which could be secured through outside suppliers. In most cases, existing accounting systems are not sufficiently developed to determine which approach would be more economical. Cost centers should be set up for each of these areas within an institution and operating costs compared to charges made by outside vendors.

5. Divide the general supplies account into more meaningful categories.

The general supplies account is currently used for many unclassified expenses. Since the budgeted amount for this area in fiscal 1972 was approximately \$772,000, the Department of Mental Health should amend its chart of accounts to provide more specific categories. It would be possible to subdivide it into maintenance, food service, laundry, and general supplies.

6. Increase the minimum value level for the department inventory to \$100.

At present, nonconsumable property with a value of more than \$10 must be included on inventory records. By changing this criterion to \$100, the number of items to be managed would decrease

by 80%, but the dollar value of the property to be controlled would be reduced by only 7.2%. Implementation would provide an annual saving of \$8,400 through decreased clerical expenses.

7. Separate development activities from the patient fund area.

At present, patient fund development activities consist of writing various agencies in an attempt to solicit funds for maintenance of residents in state institutions. Emphasis seems to be on development of new income and there is no procedure for monitoring the duration of an income source.

By separating development from accounting functions, it will be possible to determine if this activity is generating enough income to justify its existence. In addition, trial balances should be made monthly of accounts receivable to pinpoint those which need development attention.

8. Modify the payroll system.

Under the present system, some 3,500 records must be reviewed for accuracy in less than 12 hours before a current payroll can be produced. Introduction of a week to two-week delay between an income earning period and payment would reduce work load problems and allow preparation of cost accounting data needed for management decisions.

9. Consolidate the four payroll accounts for the hospital facilities and the administrative office.

Separate payroll accounts are maintained for the Bryce, Searcy, and Partlow facilities as well as the administrative office by banks in Tuscaloosa, Mobile, and Montgomery. Accounting for all payroll operations is handled by the administrative office in Montgomery. Consolidating the accounts in a Montgomery bank will provide an annual saving of \$4,000 by reducing processing and personnel expenses.

10. Consolidate the five accounts payable.

Five separate accounts payable are maintained by the Department of Mental Health in a Birmingham bank. Annual savings of \$2,100 could be realized by consolidating them into a single account.

11. Investigate the feasibility of becoming eligible for additional federal reimbursement for social and rehabilitation services.

Based on experience in other states, Alabama could expect to qualify for additional federal re-

imbursement, particularly in the area of mental health, if the following major activities and changes could be accomplished:

- ▶ Develop amendments to the State Welfare Plan.
- ▶ Obtain formal approval from HEW of the amendments and waiver of the single state agency concept which provides that only public welfare departments are eligible for this type of reimbursement.
- ▶ Develop contractual agreements between state agencies and the Department of Pensions and Securities to provide services eligible under the amendments.
- ▶ Describe, catalog, and document all qualified programs and services.
- ▶ Identify and document client eligibility ratios associated with services and programs.
- ▶ Calculate reimbursable costs of eligible programs and services and factor by a recipient's eligibility ratio, starting from the effective date of the state plan amendments.
- ▶ Render billing to HEW for past eligible services provided.
- ▶ Expand and modify data gathering and reporting systems to provide HEW with current billings.

A feasibility study would require a one-time expenditure of \$25,000. The first year reimbursement would be about \$6-million, including 15 months of retroactive recovery. Annual reimbursements thereafter would average \$4-million.

12. Establish a better system of inventory control at the Bryce Hospital warehouse.

Present inventory is more than \$650,000 in book value and contains obsolete, slow-moving, excessive, and easily purchased items. Purging warehouse stores and establishing maximum inventory levels, reorder points, and economical order quantities would reduce the inventory by \$250,000. Such a reduction will provide an annual saving of \$25,000 as well as a one-time income of \$125,000 through sale of excess material.

13. Develop an effective personnel scheduling system for each unit and workshift at Bryce Hospital.

At present, scheduling is done by operating personnel with little or no scheduling experience.

The result is fluctuations of 25% to 30% in manning levels and inequitable work assignments.

By establishing a fixed, mathematically sound scheduling system, improved utilization of nursing personnel would occur. The annual saving is estimated at \$272,000. Additional savings could probably be realized by other state facilities.

14. Eliminate the deficit for employee meals at Bryce Hospital.

The three employee cafeterias at Bryce Hospital operate at an annual loss of at least \$269,500. Reasons for the loss include:

- ▶ Charges for meals are too low.
- ▶ Certain staff members are exempted from paying.
- ▶ Other employees often do not pay even though they should.

By setting more realistic prices and requiring all personnel to pay for meals, the operations could be put on a self-sustaining basis. Employee morale would be improved because of the elimination of preferential treatment. The annual saving is estimated at \$269,500.

15. Monitor the number of employees eating in the cafeterias at Bryce Hospital.

Employees who are obliged to pay for meals should show tickets to a monitor before they are allowed to eat. This regulation is not enforced because the monitor has no control list to check those who may not have their tickets for some reason.

A listing could be prepared with the biweekly payroll to provide this checklist. No additional cost would be involved.

16. Eliminate personal laundry privileges for supervisory and professional personnel at Bryce Hospital.

Certain supervisory, administrative, and professional personnel have all of their personal cleaning and laundry needs provided at the hospital's expense. These services should be eliminated or supplied only at a fair market value. The annual saving to be realized would be \$6,500.

17. Change the accounting methods used to determine farm operation profitability at Bryce Hospital.

A more accurate financial picture of this operation will be provided by implementing the following changes:

- ▶ Nonrecurring gains or losses should not be included in net operating income. They should be listed separately at the bottom of the statement.
- ▶ Gasoline tax refunds are not revenue and should be shown as a reduction in the appropriate expense account.
- ▶ Farm equipment should be set up as assets and annual depreciation charged to the farm operation.
- ▶ Fertilizer and lime purchases should be set up as a prepaid expense and charged out in appropriate amounts each year.
- ▶ An allowance should be made for accounting and administrative expenses.
- ▶ Insurance premiums on buildings and contents should be appropriately allocated to the farm and other areas.
- ▶ The value of items produced is estimated at finished grade prices even when field run prices would be more appropriate. The Food Service Department should be given more of a voice in the charges made to its cost center.
- ▶ Contact should be made with the Department of Accounting at the University of Alabama to establish adequate accounting guidelines. The accounting information obtained should also be used by the farm at Partlow State School and Hospital.

18. Consolidate patient fund accounting at Bryce Hospital.

At present, patient fund accounting consists of spending, custodial, board, and medicine accounts. It is possible for one patient to have four separate accounts.

Changing the procedure so that an individual has only one account against which charges of various types can be made would significantly reduce the present work load. Elimination of excess personnel and equipment expenses would result in an annual saving of \$58,200.

19. Reorganize the eight geographic catchment units at Bryce Hospital.

Bryce Hospital was reorganized from a departmental unit to a catchment unit basis in accordance with the overall mental health master plan. Unit members elect a leader who serves for a six-month term. These people range from psychiatric aides to registered physicians.

Once elected to office, the individual does not relinquish his old duties nor is he charged with specific responsibilities as a catchment unit leader. After approximately 14 months of operation, it is obvious that administrative assistance of some type is imperative. The proposal that an administrative clerk be added to each unit will not adequately meet the need. Therefore, a qualified administrator should be hired for each unit or the leader appointed on a full-time basis with specific duties and commensurate authority.

The reduction in costs due to more effective management is estimated at 5% to 10%. The annual cost in salaries is estimated at \$100,000. However, an improvement of only 5% will provide an annual saving of \$235,000.

20. Study the feasibility of certifying areas used for geriatric care as a skilled nursing home to qualify them for federal Medicare funds.

An in-depth study should be conducted to determine if areas used by Bryce Hospital for geriatric care could be qualified as a skilled nursing home. If this is possible, the facility would be eligible for federal Medicare funds.

The one-time cost of the study is estimated at \$15,000. Annual savings would be approximately \$1.9-million. The following items should be considered in the study:

- ▶ Advisability of separating geriatric care from Bryce Hospital completely.
- ▶ Availability of 10 professional nurses and 21 nonprofessional personnel per 100 patients.
- ▶ Legality, for Medicare certification purposes, of contracting for dietary, maintenance, and other services from Bryce Hospital.
- ▶ Establishment of cost reporting systems.
- ▶ Existence of other regulations which may be prohibitive to the plan.

21. Eliminate one position in the Personnel Department at Partlow.

Two employees would be sufficient to handle the personnel needs of this institution. One of the current staff of three is scheduled for retirement and should not be replaced. The annual saving is estimated at \$11,100.

22. Close the employee cafeteria at Partlow State School and Hospital.

Operating costs for this service are about \$35,000 while revenues are approximately \$16,000. Since

it would double the cost of meals to put the cafeteria on a self-sustaining basis, it should be closed and personnel returned to the main food service operation. The annual saving would amount to \$19,000.

23. Revise disbursement procedures for residents' spending accounts at the Partlow State School and Hospital.

Current procedures require that the superintendent sign all disbursements from these accounts. Since the average transaction amounts to \$3 and another signature is also required, the superintendent should be relieved of this duty. An employee closer to the operation of these accounts should be substituted. This will provide improved disbursement control.

24. Raise the cost of employee meals at Searcy Hospital.

The employee cafeteria operates at an annual loss of approximately \$25,000. Therefore, prices

should be raised to \$1 per meal to put this operation on a self-sustaining basis. The additional annual income is estimated at \$25,000.

25. Close the farm at Searcy Hospital.

While plans call for only about 100 acres to be under cultivation for the current year, it appears that produce supplied by the farm could be purchased more economically from outside sources. Closing this operation will provide an annual saving of \$64,000.

26. Consider offering for lease some 9,550 acres of land holdings of the Department of Mental Health.

The department owns approximately 19,300 acres of which approximately 9,750 are dedicated to mental health facilities. The balance could be offered for lease to enable this agency to better meet anticipated increases in operating costs. The estimated annual income will be \$200,000 to \$400,000.

Department of Pensions and Security

Responsibilities of this department include administration of financial assistance payments, provision of social services, Medicaid certifications, administration of emergency welfare services, and referrals to other agency resources.

PRESENT PRACTICES

The department is governed by a six-member board which, in turn, appoints a commissioner. The statewide organization is composed of line and functional staff groups. Each program area as well as each administrative service is given bureau status.

A deputy commissioner directs the nine bureau directors. Program area bureaus set policies and provide information concerning them. The Field Service Bureau provides direction to the county departments. Counties are separated into eight geographical areas. Each county has a director, selected by the county board.

Program policy is carried out at the county level in eligibility and service divisions. Food stamps or commodities are separate and divided in the same way. At present, the state organization employs

2,259 persons. The expenditures for fiscal 1971 totaled \$188-million in state and federal funds. Of this amount, approximately \$38-million was state money. The administrative costs for the department average 12%.

OPERATING EFFECTIVENESS

For the past year, a private consulting firm has been working with the department to assist in reorganization and upgrading of personnel. The area which is currently least effective is the processing of information.

Complicated forms reduce the caseworker's efficiency while lack of planning adds to service costs. Manual systems and forms, which are not suited to data processing applications, cause further problems.

The present organization is extremely weak in the area of defined responsibilities. There is no systematic process to determine policies for specific programs. Confusion causes conflicts and overlappings. No one has the authority to investigate bureau needs and initiate changes. Separate housing of state-level bureaus results in additional problems and expense.

RECOMMENDATIONS

1. Implement the recommendations of the reorganization study.

The present structure of the Department of Pensions and Security does not provide for definite responsibilities and authority for the various functions. Employee/supervisor ratios are inappropriate and the lack of written program policies adds to the confusion, resulting in poor recipient service and duplications. A chart showing the present organization is illustrated below.

Under the recommendations made in a recent reorganization study, the Division of Program Services would provide the necessary written policies. The proposed organization chart is shown on the following page. Administrative Services would be responsible for the support needed to

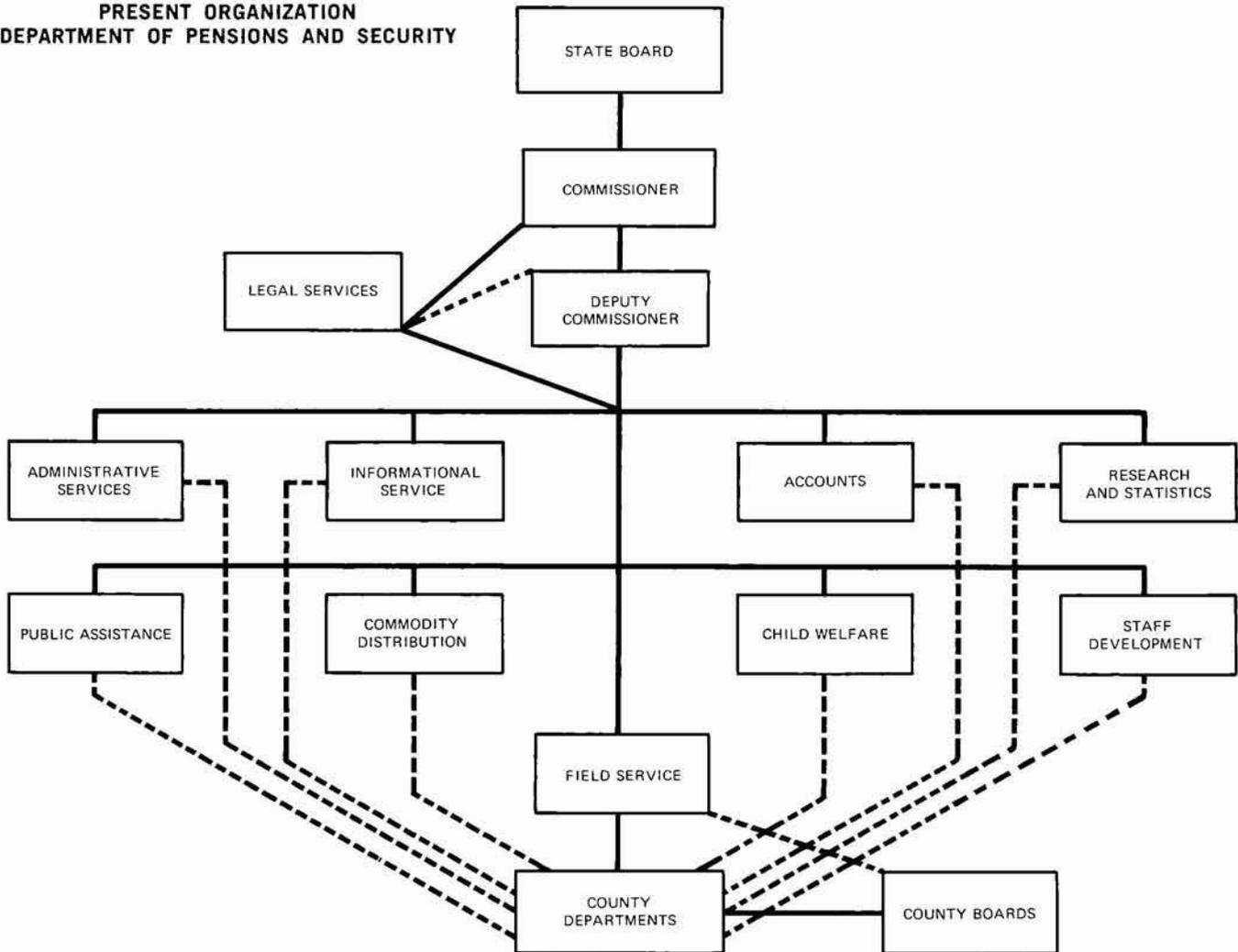
carry them out while Public Relations would handle external contacts. Field Service would interpret the policies and manage county organization through eight regions.

The cost of implementation is estimated at \$17,-100 to the state and \$17,100 to the federal government. Annual savings to be realized through personnel reductions would total \$71,300 each for the state and federal government.

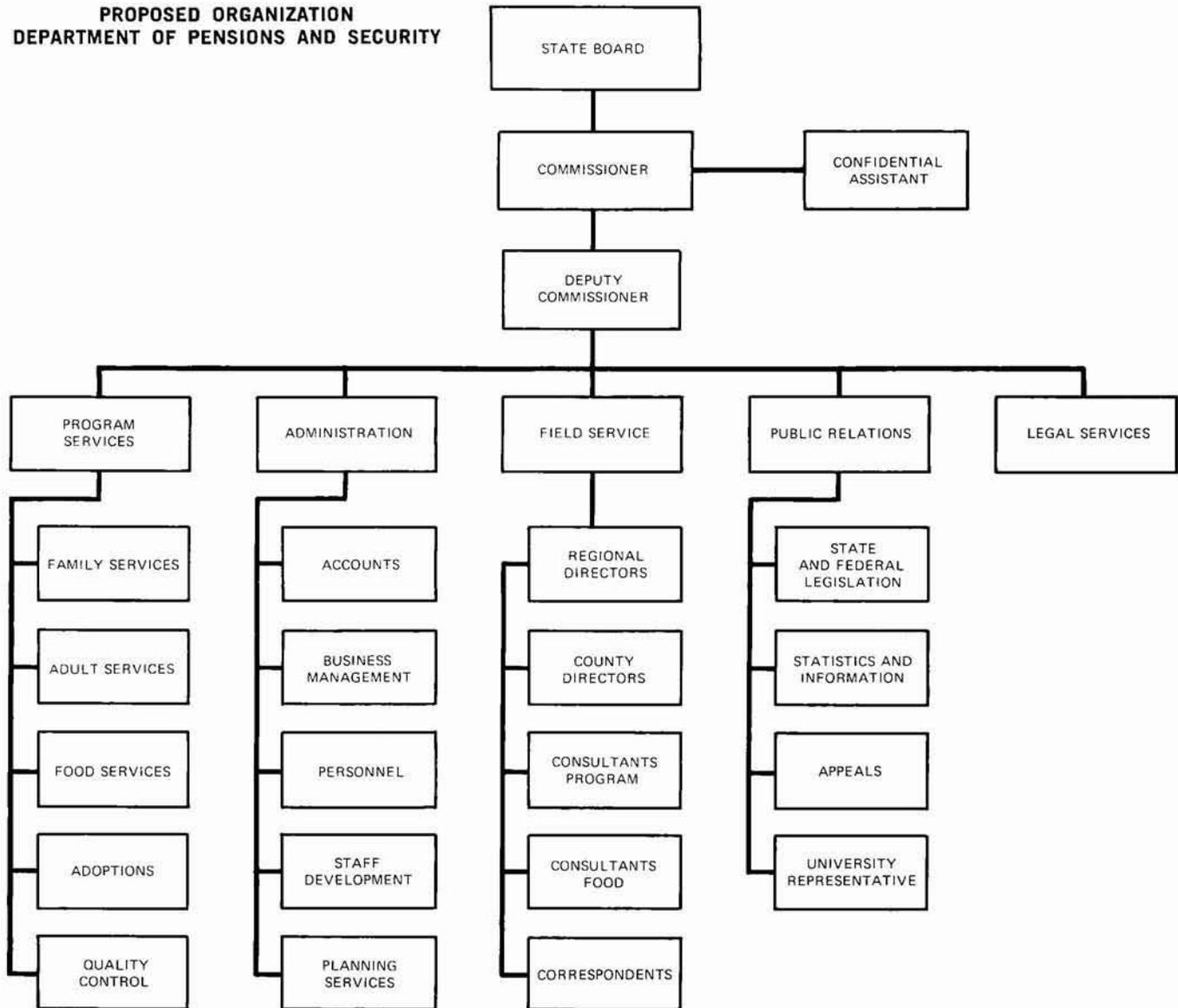
2. Create a Planning Services Bureau.

Recommendations to reduce department administration costs are not being implemented. Establishing a central planning unit to coordinate bureau activities, programs, and the like will result in improved efficiency and lower operating costs. In addition, redundant activities and programs can be minimized.

**PRESENT ORGANIZATION
DEPARTMENT OF PENSIONS AND SECURITY**



**PROPOSED ORGANIZATION
DEPARTMENT OF PENSIONS AND SECURITY**



It is expected that implementation will provide a minimum cost reduction of 7.5% annually as well as a 20% reduction in future staffs needed for new programs. The annual cost is estimated at \$102,000 of which half would be state and half federal funds. The annual saving would be \$104,500 to the state as well as \$104,500 to the federal government.

3. Eliminate typing of expense account forms.

Typing only adds to the cost of preparing expense account forms. By filling the reports out in ink, there will be an annual saving of \$1,200 in state and \$1,200 in federal funds.

4. Rent a single facility to house Department of Pensions and Security personnel engaged in statewide operations.

Bureau management is difficult because of the physical separation of the various units. At present, the department operates four individual facilities and a fifth is being planned.

Since the department receives matching federal funds to pay for its facilities, renting a single location would lower the state's cost of operation. Implementation should provide an annual saving of approximately \$33,000 through increased federal reimbursement.

5. Establish a computer-oriented cost and general accounting system.

Present systems use an accounting machine as their base. Reports to federal as well as state authorities must be developed on handwritten ledgers for typing. Vital budget information is not available on a timely basis.

By developing a computer-oriented system, seven employees could be eliminated. The annual saving would total \$61,000 of which half would be state and half federal funds. The annual cost would be \$3,800 to the state and \$3,800 to the federal government.

6. Consolidate preparation of payroll and employee records.

At present, payroll information must be manually processed by several departments, causing delays in cost accounting procedures. Personnel records are also prepared manually. By providing the department with time report forms, information could be fed to the computer and clerical posting eliminated.

Implementation of a data processing application for payroll and employee records would eliminate the need for five staff members. Annual savings would be \$18,900 to the state and \$18,900 to the federal government. The annual cost — divided between the state and federal governments — will total \$5,800.

7. Reduce the overall cost of obtaining statistical information.

The present cost of obtaining statistical information exceeds its usefulness. A study should be made to determine which statistics are needed and computer printouts utilized to eliminate manual processing.

Implementation of an EDP system will eliminate the need for 40 employees. The total annual saving will be \$143,600 to the state and \$143,600 to the federal government. The annual cost will be \$15,400 of which half will be state and half federal funds.

8. Increase overpayment recovery activities.

HEW studies indicate that more than \$30-million are paid to ineligible recipients nationally. It is estimated that Alabama could collect up to \$1-million by establishing a sound quality control and collection program.

Setting up statistical analysis and investigation procedures would cost approximately \$134,000

annually. Of this amount, half would be state and the balance federal funds. The annual saving to the state is estimated at \$125,000 while federal savings would be about \$375,000.

9. Reduce the processing time for updating eligibility files to same-day service.

By using data processing terminals in the eight largest counties to process awards pooled from other areas, the processing time for updating eligibility files can be reduced to same-day service. Savings through personnel reductions are estimated at \$90,000 for the state and \$90,000 for the federal government on an annual basis.

The one-time cost of implementation will be \$2,000 of which half will be state and half federal funds. The annual cost is estimated at \$28,000 of which half will be state and half federal funds.

10. Combine the welfare recipient's warrant and Medicaid identification card into one computerized listing and one mailing.

Independent listings, sortings, and mailings to welfare recipients double the cost of handling these two functions. By adding a stub onto the warrant, both could be processed together.

The one-time cost of implementation would be \$8,000 to the state and \$8,000 to the federal government. The annual cost would be approximately \$19,000 of which half would be state and half federal funds. Annual savings of \$115,300 to the state and \$115,300 to the federal government will be realized through implementation. This recommendation must be coordinated with the Department of Public Health, the unit which will receive the benefit of the state saving.

11. Change the individual county case number system to a statewide one.

Recipients who move to a different county are required to complete new applications and are assigned new case numbers. The result is that previous information on these persons is lost for statewide purposes. By initiating a statewide numbering system, it will be possible to improve individual service, collect better statistical information, and provide a more accurate eligibility file for Medicaid service.

12. Combine the award and family plan forms with eligibility reviews and new applications.

Eligibility workers must spend too much time filling out different forms. The information required

could be made available in a single preprinted computer form. In addition to saving time, preparation costs would also be reduced.

Implementation would provide an annual saving of \$480,000 of which half would be state and half federal funds. The annual cost of the forms is estimated at \$16,800 to the state and \$16,800 to the federal government.

13. Eliminate typing of quarterly Aid to Dependent Children reports and other biannual reviews.

County service caseworkers must spend too much time preparing reports on interviews. Excessive

emphasis is placed on typed records which are used by the caseworker before visits. At present, 601 service caseworkers make quarterly and biannual visits to recipients. Information which is solicited during visitations is recorded on dictaphones, typed, and checked by the caseworkers for content and accuracy.

By using a planned interview approach, the caseworker could interview the recipient, make legible notes on the actual record, and return it to file at the end of the day. The annual saving in equipment and typing personnel will amount to \$898,000 in state and almost \$1.5-million in federal funds.

Agency for Social Security

This agency is responsible for administering the social security system for all state employees. It also serves personnel of various city and county groups which request coverage under the contract between Alabama and the federal Social Security Administration.

PRESENT PRACTICES

The agency's five-member board is appointed by the Governor. Board members appoint and supervise the director. Its current staff consists of three field auditors, three clerks, and three stenotypists. The purpose of the agency is to ensure that proper credits are applied to the federal records of participating employees each quarter.

The auditors are responsible for reports of local entities within their geographical assignments and attempt to visit each account three or four times annually. At present, there are more than 2,000 reporting groups including various state departments. Approximately \$20-million is contributed by these entities each quarter and turned over to the State Treasurer. A warrant is drawn against the account some 15 to 20 days later for payment to the Federal Reserve Bank.

Quarterly reports are checked manually to correct errors. The state provides approximately \$110,000 annually to cover the cost of administering the social security system for its employees and other participating entities.

OPERATING EFFECTIVENESS

The agency has continued to administer the social security system effectively for an increasing number of employee groups despite relatively small improvements in physical facilities and equipment. Instruction manuals are provided to all reporting entities and field visits are made several times annually. The staff must also process requests by various groups of employees in the state seeking coverage under the existing contract. There have been approximately 350 modifications to add some 2,000 groups covering about 200,000 employees of the state and other public corporations.

There are no supervisors other than the director of the agency. Space in the office area is limited. Only two telephones are available for staff members to use in correcting reports. Although the administration of records for state employees and those of other reporting entities are the same, fund contributions are handled differently.

Many of the reporting groups would prefer to submit payments in advance of the quarterly deadline, but this has been discouraged since the agency is not allowed to invest these funds and additional bookkeeping would be required. Summarized records of individual earnings are not available to the agency, although this information is needed when applying for refund credits from the federal agency.

RECOMMENDATIONS

1. Invest funds contributed by reporting entities to achieve the maximum return available for the period when they are held prior to payment to the Federal Reserve Bank.

Reporting entities are required to submit quarterly reports and payments of employee and employer contributions to the Agency for Social Security. Many of these groups make partial payments throughout the quarter to correspond to their payroll periods. The money is turned over to the State Treasurer where it is held apart from state funds.

By allowing investment of these monies in certificates of deposit, United States Treasury obligations or in other recognized state depositories, the state could increase its annual income by an estimated \$175,000. Clarification of the law covering investment of these funds and close coordination between the State Treasurer and the agency's director would be required to accomplish this.

2. Computerize the administration system for agency records and funds.

Each quarterly report form must be checked manually for accuracy and completeness. When the federal agency processes the reports, a punched card is returned for each error on a form. Mistakes must be traced to the proper form and a correction made and returned. Funds received are also recorded manually on ledger sheets.

Many groups make advance payments several times during a quarter and each must be recorded separately. Deposits to the State Treasurer and to the federal agency are also indicated on the ledgers.

Establishing a computerized payroll system for state employees and using similar programs for other reporting entities would reduce errors, provide retrievable information for use in obtaining refunds for overpayments, decrease storage space needs, and improve the overall procedure.

If such a payroll system is initiated for state employees, the cost of extending the program to this agency would be minimal. Implementation would reduce clerical requirements by two positions for an annual saving of \$15,000.

3. Provide additional telephone capacity to reduce travel expenses and eliminate the need for one field auditor.

Currently, three field auditors are employed to instruct clerks in proper reporting techniques, audit quarterly reports, and correct errors in the reports. At present, there are only two telephones available to the auditors and these are almost constantly unavailable.

An additional full-time WATS line would cost \$6,900 annually. However, with the increased telephone capacity, two auditors would be sufficient for clerical instruction and travel requirements. The total annual saving would be \$20,000.

Commission on Aging

This commission was established to collect statistical information and make special studies relating to the welfare and needs of the elderly people of the state.

PRESENT PRACTICES

The director, executive assistant, and nine of the 16 commission members are appointed by the Governor and serve terms concurrent with his. Administrative functions are the responsibility of the director and eight employees. They coordinate services provided to the elderly by state agencies, keep abreast of national developments, and provide for an exchange of information on

national, state, and local levels. Expenditures for fiscal 1971 amounted to approximately \$320,000 including \$268,000 in federal funds.

OPERATING EFFECTIVENESS

The activities of this commission are controlled substantially by the amount of federal funds available for its programs. Under the 1973 federal budget, more than \$200-million will be available for senior citizen programs and over \$2-million will be available to Alabama.

To acquire these funds, substantial expansion of programs throughout the state will be required.

To do this effectively, the present staff should be at least doubled. A substantial amount of the administrative cost will be underwritten by federal funds and steps have already been taken to provide the needed space. With the exception of the executive assistant, present personnel appear to have adequate work loads.

Department of Agriculture and Industries

This department is responsible for the promotion of agriculture and industry, the administration and enforcement of a number of laws and regulations, and the inspection of an array of consumer commodities and other products. It is governed by the Alabama State Board of Agriculture.

PRESENT PRACTICES

The department operates under the Commissioner of Agriculture and Industries, who is a constitutional officer. Guidance is provided by a 10-member board which establishes rules and regulations for administration by the commissioner and hears appeals from his implementation of same.

The Department of Agriculture and Industries establishes standards for agricultural produce and products as well as for items such as commercial feeds, fertilizers, fuels and oils, pesticides, and agricultural chemicals. It also cooperates with related national, state, county, and local agencies and representatives from state educational and research institutions.

The commissioner is responsible for the organization and staffing of the department. At present, it includes 14 operating divisions or laboratories and several staff offices or functions. On January 15, 1972, the department had 375 full-time employees and 24 hourly personnel. During the harvest season, up to 425 temporary employees may be added to the staff for brief periods.

Although the department receives general fund appropriations, its chief sources of financing are several special trust funds. The largest is the Agricultural Fund which is the repository for inspection fees and related service charges. Total operating expenses for fiscal 1971 were more than \$4.85-million.

RECOMMENDATION

1. **Assign specific duties to the executive assistant or eliminate the position.**

This position should provide liaison with other agencies. These functions can be handled by the commission's director, so other duties should be assigned or the position eliminated.

OPERATING EFFECTIVENESS

The department appears to be energetically and imaginatively managed. However, the span of control under the present organization structure is obviously cumbersome. In addition, the large number of divisions and functions tends to discourage cross-training and expand manpower requirements unnecessarily.

Fee income from certain regulatory and promotional activities is not sufficient to support the services rendered. Also, there appears to be some overlapping between this department and related agencies. Certain functions which are a part of the department's primary responsibilities are being operated outside of its sphere of influence.

RECOMMENDATIONS

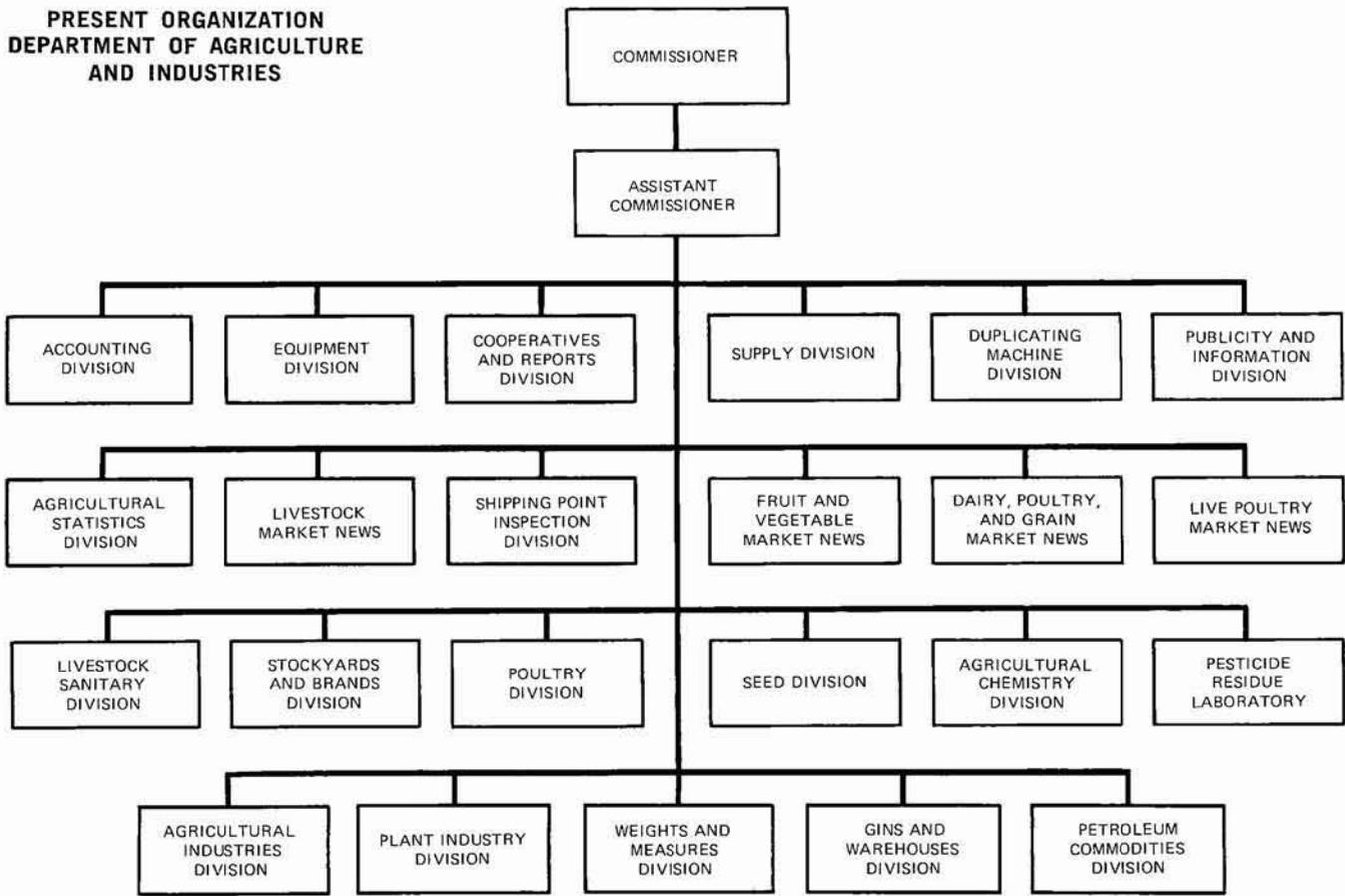
1. **Reorganize the department and change its name.**

Presently, more than 20 separate divisions report to the commissioner. This is shown in the present organization chart to the right. The fragmented organizational structure has resulted in overmanning of inspection and clerical operations to meet peak work loads, excessive travel and labor costs to accomplish separate inspections in the same geographical areas, and a span of control which is cumbersome and inefficient. In addition, the extensive number of middle management positions limits advancement opportunities.

To eliminate these problems, the department should be reorganized into four divisions: Administrative, Laboratories, Regulatory and Inspection Services, and Marketing Services. A chart of the proposed organization is illustrated at the lower right.

This would provide a more effective span of control and should make it possible to reduce per-

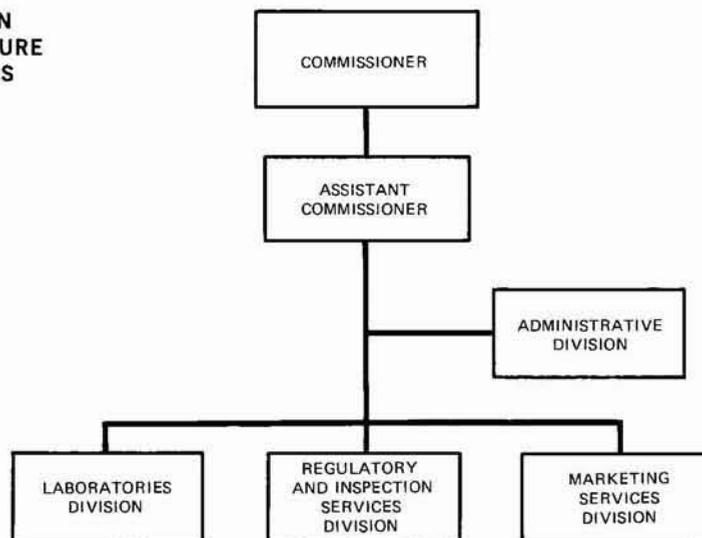
**PRESENT ORGANIZATION
DEPARTMENT OF AGRICULTURE
AND INDUSTRIES**



sonnel levels and promote cross-training programs. Implementation of this reorganization will be more effective if proposals for personnel administration changes suggested elsewhere in this

report are adopted. The annual saving to be realized is estimated at \$226,400. The annual cost of increasing certain executive salary ranges would be \$19,400.

**PROPOSED ORGANIZATION
DEPARTMENT OF AGRICULTURE
AND CONSUMER SERVICES**



In addition, the name of the department should be changed to the Department of Agriculture and Consumer Services. This is recommended since "industries" refers solely to agribusiness and is misleading.

2. Centralize additional laboratories in the department's new building complex.

The department has moved into a new building with one wing still under construction. This wing will house certain laboratory facilities. Other laboratory operations being maintained in four separate locations should also be moved to this complex.

By adding a second wing to provide an additional 30,000 square feet, the majority of existing laboratory functions can be centralized. The cost of expansion, expressed as annual payments of principal and interest amortized over 20 years, is estimated at \$81,500. The average annual saving to be provided through staff reductions would be \$126,300.

3. Recover the cost of the butterfat audit.

The Dairy Industry Inspection Division collects random samples of milk from producers to determine the butterfat content. No charge is made for this service. However, by extending the assessment period imposed by the Dairy Commission and requiring this agency to remit an appropriate sum to the Department of Agriculture and Industries, the annual cost of this service would be recovered. The saving would be approximately \$40,100 per year.

4. Charge a fee for the barn inspection service.

Out-of-state milk producers are provided with barn inspections by the department at no charge. To recover the cost of rendering this service, a fee of \$0.121 per hundred pounds of milk should be imposed. The annual income is estimated at \$18,800.

5. Reduce the department's printing capability.

The department now has a substantial printing capability with several sophisticated units which are seldom used. Curtailment of the work now performed for other agencies and utilization of the proposed copy centers recommended elsewhere in the report will provide an annual saving in labor costs of \$8,200. The copying machine in the commissioner's office should be replaced. The annual departmental cost of rental is estimated at \$2,400.

6. Relocate the supply room and continue the space plan study.

The supply room should be moved to the basement and operated two hours per day or less. Implementation will free prime office space and provide better utilization of department staff. Other studies are underway to determine optimum usage of available basement space and should be continued. The one-time cost of relocating the supply room would be \$1,000. The annual saving is estimated at \$6,800.

7. Stagger licensing expiration periods.

The majority of expiration dates now fall within a three-month period. This creates unbalanced work loads for the clerical staff. The department is attempting to establish a more satisfactory master schedule to eliminate the problem. Savings have been claimed elsewhere.

8. Remove the Commissioner of Agriculture and Industries from the Board of Appointment of County Voter Registrars.

The commissioner holds this position by virtue of his office. The concept covering this responsibility dates back to an earlier era when the population of the state was predominately rural. Reassignment of this duty would relieve the commissioner of a time-consuming obligation which is not related to his primary responsibilities.

Farmers' Market Authority

The authority was created in 1965 for the purpose of acquiring land and constructing market facilities to prevent waste of farm produce. It receives general fund appropriations for operating expenses and capital outlays.

PRESENT PRACTICES

This authority consists of nine members, appointed by the Governor with the approval of the Senate. The Commissioner of Agriculture and Industries is an ex officio member. Its chairman

and vice chairman are selected from the membership. The authority appoints the administrator who is responsible for carrying out provisions of the enabling act. His staff consists of a secretary.

Major activities include site selection of marketing facilities, funding, and leasing of the markets to local cooperative farmers' associations. The installations are operated and maintained by the associations and include processing plants as well as grading and marketing facilities. The state's capital investment is \$617,000 from 1967 to date. The current biennial appropriation is \$1-million. Estimated operating expenses for fiscal 1972 amount to \$45,200, a substantial increase over the fiscal 1968 expenditure of \$27,400.

OPERATING EFFECTIVENESS

The authority has only tentative plans for market construction this year and none for next year. It would appear that adequate market analysis is not being carried out. Arrangements regarding retrieval of capital investment through lease agreements are inadequate. One market paid nothing last year despite transactions of \$163,000.

Although the administrator is a full-time employee, the chairman appears to spend an equal amount of time in management activities. All meetings of the authority in the preceding year were held outside of Montgomery increasing overall travel and per-diem costs. The governing statute is not clear and has been the basis for some court action. In addition, the authority appears to be performing only a portion of the functions assigned to it.

RECOMMENDATIONS

1. Abolish the Farmers' Market Authority and reassign its employees to the Department of Agriculture and Industries.

The authority is accomplishing only a fragmented portion of the promotion and regulation of agribusiness within the state. There is a lack of constructive and continuing coordination with other state agencies which should be the source of data regarding investment opportunities.

By reassigning the employees, who seem to be knowledgeable and energetic, to the Department of Agriculture and Industries, it will be possible to provide more comprehensive guidelines and maintain more productive liaison with related agencies. Annual savings resulting from reduced travel requirements should be \$5,600.

2. Establish an incentive plan to obtain timely repayment of the state's investment in market facilities.

The authority has invested some \$617,000 in six market facilities since 1967. The total capital outlay has been tied up in these investments for an average of more than two years.

Lease terms are so liberal that only about \$29,500 has been returned to date. Existing statutes imply a repayment obligation of at least 5% a year. However, the actual rate of return has averaged less than 2.5% annually on interest-free capital investments.

In the future, marketing facilities should not be constructed unless there is evidence of substantial local participation both in numbers and willingness to repay the loan over a period of 20 years. In this connection, the authority should encourage the growers' associations to establish a line of credit, personally secured if necessary.

As an inducement, lease agreements should provide for a reduction in the rate to \$1 per year after retirement of the principal sum due on the facility. A penalty should also be provided if the 20-year retirement obligation is not met. Restructuring of present agreements, including proposed incentive clauses, should provide the state with an estimated \$31,000 in additional annual income.

3. Clarify existing statutes.

In addition to the confusion regarding lease fee structures, governing statutes require clarification in several other areas. These include the right of the authority to construct facilities which include processing operations, its ability to offer conveyance of the property to a local association upon recoupment of the capital investment, and circumstances where markets may be considered — in varying degrees — to compete with commercial facilities.

It is important that the statutes be revised to eliminate confusion on these points and reduce the likelihood of continuing litigation. No specific savings are claimed.

4. Initiate a market research and long-range planning program to include solicitation of federal funds where available.

A review of the minutes of the authority's meetings reveal a lack of market research statistics upon which to base investment decisions. If the authority is to plan wisely, it needs to embark on

a comprehensive market research and long-range planning program.

Consideration should be given to new processing techniques, transportation systems, packaging developments, and to byproduct and related manufacturing enterprises. Federal funds are available to support such investigations.

By investigating opportunities for various types of federal reimbursement, including judicious site selection, it is estimated that \$500,000 of the current biennium appropriation of \$1-million could be saved. Based on an average of past appropriations, there would also be an annual saving of \$150,000 by taking advantage of federal funding opportunities.

Agricultural Center Board

The purpose of this board is to lease and manage properties assigned to it. The only property which it has ever managed is the Coliseum which is used for livestock shows, agricultural and industrial displays, and other exhibits.

PRESENT PRACTICES

This board consists of five members, four of whom serve concurrent terms with the Governor. The Commissioner of Agriculture and Industries is an ex officio member. The board acts in an advisory capacity and has its own budget. In fiscal 1971, it received \$94,000 in state funds while the Coliseum received \$76,000 in a separate appropriation to supplement earned revenues of \$97,000. Combined income and appropriations amount to \$267,000 while expenses were \$217,000. The surplus of \$50,000 was deposited to an account now totaling \$90,000, from which no interest is derived. The Coliseum staff consists of a manager, an assistant manager, and eight other employees. This does not include part-time labor. The Coliseum utilizes only 80 acres of the 132-acre tract on which it is located.

OPERATING EFFECTIVENESS

The board meets approximately six times a year, but has had no major problems on which to act for several years. Although the Coliseum is managed effectively, there is considerable overlapping of job responsibilities. The booking of additional major events should increase income as should revised fee schedules for all events.

RECOMMENDATIONS

1. Abolish the Agricultural Center Board.

The board meets approximately six times annually to review routine activities of the Coliseum. Since it has responsibility for only the one property, its

contribution does not justify the cost of existence. Supervisory responsibility for the Coliseum work force should be reassigned to the Department of Agriculture and Industries. Implementation will provide an annual saving of \$4,500.

2. Maintain the Coliseum on a self-supporting basis.

The effect of implementing previous recommendations will reduce the appropriation required to \$105,000 for fiscal 1974, and eliminate it in succeeding years. Further, beginning in fiscal 1974, a surplus of some \$25,000 should be realized and will increase to \$42,000 annually in fiscal 1976, assuming execution of the land lease proposal on or before April 1973.

Continuing review of various fees should maintain or improve the surplus position. Except for an emergency reserve of \$25,000, all surplus funds should be remitted to the general fund. The annual saving will be about \$200,600.

3. Reorganize the Coliseum work force.

Reassigning certain duties will eliminate overlapping and make it possible to reduce the Coliseum staff by four positions. The assistant manager's duties can be divided between the office manager and the chief custodian who would supervise the labor force. The custodian's duties can be handled by the engineer. Duties of the watchman, now serving as a tour guide, can be absorbed by a member of the remaining work force. The functions now handled by the clerk/typist should be combined with those of the office manager. Annual savings will amount to \$38,100.

4. Increase Coliseum rentals.

Approximately 32 social and civic events are held in this facility annually. The average rental is

\$450, but should be increased to \$550. In addition, the charges for major events should be raised to 10% of gross ticket sales or \$750 per night, whichever is greater. The total additional income would be about \$8,200 per year.

5. Increase the revenue from concession leases and the Coliseum parking lot.

Concessions are leased on a percentage of 25.5% of gross sales. Settlement is made after each event. Income for fiscal 1971 was only \$10,300 which appears unusually low.

The percentage should be increased to 30% and improved disbursement audits performed. Further, consideration should be given to raising the token parking fee of \$0.50 to a more realistic level. Implementation should provide additional annual income of \$20,000.

6. Use available funds to accelerate retirement of Coliseum bonds.

The Coliseum is not required to return surplus monies to the general fund or to apply them to the facility's bonded indebtedness. At present, surplus funds of \$90,000 are in a bank account which draws no interest. In addition, a sinking fund of \$150,000 exists as a cushion against low-

income years. The present retirement schedule requires payment of \$45,000 annually plus interest through 1982. However, retirement in part or in whole is permitted with only a nominal interest penalty.

Use of these funds, additional revenues, and savings from prior recommendations will permit retirement of the total debt by August 31, 1973. The one-time savings through interest avoidance would be \$51,300. An additional benefit would be the freeing of state retirement systems' investments for use in securing higher-yield securities.

7. Generate revenue from vacant land.

Approximately 50 acres of land adjoining the Coliseum are presently vacant but require an annual expenditure for maintenance. Consideration has been given to its lease for use as an amusement park, stabling and training facility for horses or commercial development of some type.

Availability of utilities, the terrain, and location relative to existing and planned road networks suggest a long-term lease for apartment development. The estimated annual yield on such a lease with a suitable adjustment provision would be \$21,000.

Dairy Commission

This commission supervises and regulates the state's fluid milk industry. It sets and collects fees for dealers, distributors, producers, and stores. The commission also fixes minimum and maximum retail milk prices, establishes handling charges, and issues licenses.

PRESENT PRACTICES

Except for the Commissioner of Agriculture and Industries who serves ex officio, commission members are appointed by the Governor. The current staff includes nine full-time and two part-time employees.

Approximately 85% of the organization's expenditures are paid from license fees collected from milk producers and distributors. The balance is obtained from fines for violations and from imposition of retail license fees of \$4.50 per store. When receipts for the year exceed bud-

getary requirements of the commission by \$50,000, fees from producers and distributors are discontinued until the following fiscal year. All money is deposited with the State Treasurer and controlled by the Comptroller.

Three accountants and a field investigator maintain surveillance over the state's producers and distributors. Pricing of classes of milk based on butterfat content and quotas are examined. Adherence to rules and regulations controlling production, transportation, storage, processing, and sales of milk are also checked. The purpose of the commission is to ensure that milk prices remain within predefined limits and, in conjunction with the Board of Health, that the milk is of acceptable quality.

OPERATING EFFECTIVENESS

The high rate of turnover in the position of executive secretary has deprived the commission

staff of any continuity in the areas of personnel practices and operating procedures. In the past, this position has been filled by political appointment. The attorney is also a political appointee and turnover in this position has resulted in similar inconsistencies in legal interpretations.

Statistical reporting, which is vitally important to the commission's effectiveness, needs improvement. Recognizing this, the organization has budgeted \$5,000 to study this and related clerical areas of operation. Pricing is determined on the basis of testimony given before the commission. Alternate methods are under consideration and \$15,000 has been budgeted to study the matter.

RECOMMENDATIONS

1. Reorganize the commission to permit management of its employees by the Commissioner of Agriculture and Industries.

The function of this commission is an extension of the primary responsibility of the Department of Agriculture and Industries; namely, regulation of agricultural products within the state. Substantial turnover in the position of executive secretary has left the commission without effective management and has caused disharmony.

The Commissioner of Agriculture and Industries should be given direct responsibility for the Dairy Commission's work force by naming him a deputy commission chairman *ex officio*. The commissioner's staff is sufficiently experienced to accomplish the proposed clerical study following guidelines appearing elsewhere in this report, effecting a one-time savings of \$5,000.

2. Reorganize the commission staff.

The present clerical staff includes four positions. By placing the commission under the management of the Commissioner of Agriculture and Industries, and combining the clerical staff with his department work force, three of these positions

could be eliminated. It will be necessary to provide a statistician to handle statistical reports for the commission. When the position of executive secretary is filled, the administrative assistant should be eliminated. Annual savings are estimated at \$20,600.

3. Place the executive secretary's position under the merit system.

Because this position is a political appointment, the turnover is excessive and has resulted in a lack of overall direction for the commission. The salary would be more attractive to a person under the merit system and it would be possible to fill the position with a career employee familiar with the milk industry.

4. Replace the part-time commission attorney with full-time legal counsel.

There is a great need for day-to-day legal counsel on the part of the commission. A full-time attorney would be able to work on revisions and clarifications of current rules and regulations. He would also be able to investigate violations and impose immediate penalties, reducing the need for commission hearings.

Since 1947, the part-time position of attorney has experienced excessive turnover. By placing the job under the merit system, a competent full-time counsel could be obtained. The added annual cost, including travel, is estimated at \$3,600.

5. Initiate the study on production, distribution, processing, and marketing of milk.

The commission has recognized the need to improve its method of pricing milk and enforcing governing regulations. Meetings were held on 35 days last year to hear testimony in regard to milk prices. It appears that this could be reduced to 10 if pricing and enforcement procedures were improved. The annual saving is estimated at \$5,000. Money for the study has already been included in the fiscal 1972 budget.

Department of Conservation and Natural Resources

This organization combines several previously independent agencies into a single department. It is charged with promotion and protection of wild-

life; supervision of state forests, parks, and monuments; control of certain public lands; and administration of the game and fish laws.

PRESENT PRACTICES

To carry out its functions, this department formulates rules and regulations concerning conservation matters. It follows stated procedures for acquiring land, erecting buildings, establishing game refuges, shooting preserves and wildlife management areas, and leasing certain state lands for exploration and development. Finally, it enters into reciprocal agreements with other states and cooperates with the federal government on programs under its control.

There are six divisions within the department. They include Administrative, Game and Fish, State Lands, State Parks, Water Safety, and Seafoods Divisions. Each is headed by a chief who reports to the department's director. Staff totaled 479 for fiscal 1972, an increase of 21% over fiscal 1968. Expenditures have increased 73% for the same period to over \$6.7-million.

Appropriations are received from the general fund, special funds, and federal monies provided as outright grants or on a matching basis for specified purposes. Gross receipts are estimated at \$4.25-million. They come from license fees, timber sales, leases, royalties, and taxes and fines.

OPERATING EFFECTIVENESS

This department has many dedicated staff members. Unfortunately, inordinate amounts of time must be spent — especially by division directors — to coordinate interdepartmental activities. The problem is compounded by the geographical deployment of the work force and the frequency of reports which are required. Purchase order approvals and invoice payments are frequently delayed and pose difficulties for personnel.

The Engineering Section is understaffed and cannot provide service on a timely basis. The Information and Education Section also is unable to provide adequate assistance to other units. In several areas, fees and charges do not cover processing costs. Proper provision has not been made for the construction and operation of state parks, despite a \$43-million bond issue.

RECOMMENDATIONS

1. Merge the Accounting and Personnel Sections of the Administrative Division.

These two sections have duties which are so interrelated that it would be more efficient to merge them into a single unit. The reduction in personnel would provide an annual saving of \$85,000.

2. Transfer the department's Engineering Section to a proposed centralized Engineering Division of the Building Commission.

This section is understaffed and cannot provide adequate services. In addition to the needs of the Department of Conservation and Natural Resources, many other areas of state government require engineering capacity. The most efficient method of meeting the requirements would be to establish a central Engineering Division to serve all of the state's needs in this area.

Immediate savings to be realized by abolishing the Engineering Section will be offset by the cost of adequately expanding the present division. However, proper engineering capacity will enable the state to secure lower bids from contractors, supervise projects more adequately, and establish lower operating and maintenance costs for facilities. The estimated total saving which should result would be \$160,000 per year.

3. Transfer the duties of the Information and Education Section to the Bureau of Publicity and Information.

This section is charged with informing the public in a factual and favorable manner of the activities and accomplishments within the Department of Conservation and Natural Resources. At present, this operation is not providing needed services and it appears that the function would be better handled by the state's Bureau of Publicity and Information.

Eliminating this section would produce an annual saving of \$110,000. The estimated annual cost for the purchase of such services from the bureau is \$40,000.

4. Merge the enforcement personnel in the various divisions into a single unit.

There are 111 game wardens, 27 park rangers, 16 seafood wardens, and 50 water patrolmen involved in the enforcement of department laws and regulations. Most of the work is seasonal. If a single enforcement unit were formed, personnel could be cross-trained and used interchangeably to meet seasonal demands. An annual saving of \$350,000 is expected through a reduction of 41 employees.

5. Put the department's publication on a self-sustaining basis.

Circulation for this bimonthly publication is about 25,000 with an estimated cost of \$0.12 per issue.

Projected increases in postage rates will raise this cost. If a charge is made for the magazine, the circulation will probably drop to around 20,000. At a cost of \$0.25 per issue, the state would realize an annual income of \$30,000 to offset present expenditures.

6. Adjust license fees to offset the cost of issuance and a portion of the enforcement expenditure.

The department's director sets license fees for various activities carried on in the salt waters of the state. Most do not provide sufficient revenue to cover processing and enforcement costs. In addition, the state does not presently issue licenses for salt water sport fishing, although other coastal states do. By establishing a \$3 fee for a salt water fishing license and revising other charges to more accurately reflect costs, the state should realize an additional annual income of \$68,000.

7. Change the method of supplying hunting and fishing licenses to agents.

At present, agents authorized to sell hunting and fishing licenses for the state receive them on consignment. Much time and effort must be spent by the Accounting Section to collect revenues due on the licenses.

If the agent system were changed to a prepayment basis, savings could be realized in clerical and collection work. The total annual saving through personnel reductions is estimated at \$23,500. In addition, the prepayment system would provide the state with some \$600,000 in investible funds for six months. At a rate of 4%, the annual income from investment would total \$12,000.

8. Review fees for the use of state parks and their facilities.

It is felt that current charges are unrealistically low and should be increased. Although a study is recommended to establish optimum charges, increasing the fees by one-third would generate an additional income of \$167,000.

9. Complete state parks under construction before beginning any new projects.

The state has become heavily obligated in terms of funds required to complete park projects now under construction. It proposes to finance still more parks although the advisability of such a move is questionable. By deferring bond issues

for approved projects at least until those under construction are completed, a one-time saving of \$1.2-million can be achieved.

10. Increase the budget of the State Lands Division to provide for more effective management of state-owned property.

This important division is staffed by only six people. At least four inspectors, an additional clerk/stenographer, and provision of outside service capacity is needed to allow this agency to effectively manage state lands. The anticipated cost of \$100,000 per year will be offset by an increase of that amount in annual income through improved receipts, particularly from long-term leases.

11. Raise the management fee charged by the State Lands Division to a minimum of 7.5%.

The law restricts this division from charging more than 5% for managing lands for other state government departments. No charge can be made for managing school lands.

By raising the fee to a minimum of 7.5%, the department would realize an additional annual income of \$11,000. This would represent an annual cost to other departments and agencies but would properly cover the cost of providing the service. Some effort should also be made to establish a charge for managing school lands.

12. Improve revenues from timber contracts.

From time to time, timber on state lands is sold to commercial interests. In view of the maturity of the trees sold and the competitive position enjoyed by such timber, it is felt that the current pricing structure should be revised. Repricing approximately \$25,000 worth of this resource to include bid rejection if necessary should raise the annual income by \$5,000.

13. Raise royalties on sand and gravel removed from state lands.

Current royalties from sales to commercial interests average approximately \$60,000 per year. By more careful attention to such deposits, including competitive bids where feasible, the state should be able to encourage higher payments for these resources. The estimated increase in annual income would be approximately \$30,000.

14. Open certain lands to competitive bids on leases for drilling.

No testing or drilling for gas or oil is being carried on in Mobile Bay, its adjacent lands or the

state-owned three-mile limit of the Gulf of Mexico. However, oil and gas experts feel that these areas have excellent potentialities.

By opening them for competitive bids, the state could realize a one-time income of at least \$8-million. Subsequent rental fees would add to this amount. In addition, if gas or oil were found, the state would profit from drilling permits and royalties.

15. Create a Minerals Resource Management Committee.

Alabama owns some 600,000 acres of land, most of which has been identified by experts as likely to produce oil or gas deposits. Louisiana has pursued an aggressive policy of encouraging commercial development of its oil and gas resources. As a result, it enjoys lease bid revenues, rents from leases, royalties, and severance taxes from its state-owned lands.

The royalties average \$350-million annually and severance taxes are about \$250-million per year.

In addition, the oil and gas industry in this state has provided untold extra benefits to Louisiana with employment totals conservatively estimated at 200,000 people actively engaged in these areas.

Experts conservatively estimate that oil and gas productivity in Alabama would be at least 20% of that enjoyed in Louisiana. This suggests that, within 15 years, Alabama's royalty income could reach or exceed \$75-million annually with new jobs numbering 40,000 or more. That amount is not being claimed as income in this report.

In order to realize this income, the lands should be opened to bids for oil and gas leases. To issue the necessary drilling permits, an action-oriented committee, comprised of the State Geologist, the Commissioner of Conservation and Natural Resources, and the Director of Finance, should be established. In addition to administering an oil and gas development program, this group's responsibilities and authority should encompass other mineral deposits owned by the state.

Forestry Commission

The objectives of this commission include protection of forests against fire, furnishing seedlings for new timberlands, and improvement of forests through educational programs and experiments.

PRESENT PRACTICES

The State Forester is the chief administrator, reporting to a seven-member commission. The Montgomery headquarters houses the Forest Resource Development, Forest Resource Education, Forest Protection, and Administration Divisions. Eight field divisions are located throughout the state, each under the supervision of a district forest ranger.

At the end of fiscal 1971, employees totaled 400. Expenditures for the same period were \$3.3-million including \$1.1-million in state funds. The sale of seedlings and revenue from the severance tax produced \$1.2-million. County appropriations and other contributions produced the balance.

OPERATING EFFECTIVENESS

This commission is rendering valuable service to the owners of 22-million acres of forests in Ala-

bama. In fiscal 1971, the land owners and forest industry contributed less than one-third of the commission's operating costs. More than 50% of the forest land is owned by small operators who contribute almost nothing for fire protection and insect control.

The seedling program should be expanded, although revenue does not currently cover production costs. A majority of the fire fighting equipment is obsolete. Fire detection and fire fighting personnel levels are dangerously low in certain counties. There is some overlapping of functions between the Forest Resource Development and Forest Resource Education Divisions.

RECOMMENDATIONS

1. Amend the constitution to enforce the special acreage assessment on a statewide basis.

An assessment of \$0.05 per acre on timberland is enforceable by counties on an optional basis. Less than 10% of the counties take advantage of this source of revenue. Uniform application of this provision on a statewide basis with adjustment of the assessment to \$0.10 per acre would

provide additional annual income of \$2-million to the state and \$105,000 to the counties.

2. Combine the Forest Resource Development and Forest Resource Education Divisions.

These divisions have similar objectives. Moreover, a substantial number of the employees in both areas are engaged in preparing news releases and other promotional materials. These functions should be turned over to the Bureau of Publicity and Information.

The annual cost of purchasing such services would be \$12,000. Implementing the proposed consolidation and transferring the publicity functions will provide an annual saving of \$61,900.

3. Raise the price on pine seedlings to cover program costs.

Sale of seedlings produces a gross annual yield of \$325,000. This is insufficient to cover production costs. Raising the price from \$6 per thousand to \$7.50 will produce \$85,000 in additional annual income and should offset present losses.

4. Increase the severance tax on timber and timber products.

Producers and processors of timber and related products contribute less than one-third of the

funds needed to finance the Forestry Commission. Therefore, the severance tax should be raised as part of a program to put the commission on a self-sustaining basis. Doubling the amount would provide additional annual income of \$787,000.

5. Reorganize local fire fighters into multi-county units.

Recruitment and turnover problems abound in present local fire control units. To alleviate these difficulties, the units should be reorganized on a multi-county basis and expanded.

Providing 70 additional full-time patrolmen and 200 temporary employees for four months annually would cost \$720,000 per year. Savings to property owners should render the previously recommended change in the timberlands assessment more acceptable.

6. Provide adequate fire-fighting equipment.

More than 50% of the present fire-fighting equipment—radios, tractors, trucks, and the like—are in need of replacement. An immediate replacement program should be initiated. The one-time cost is estimated at almost \$1.4-million which could be spread over a three-year period, if necessary. The subsequent annual cost is estimated at \$175,000.

Geological Survey

The primary objective of the Geological Survey is to promote an interest in, and to provide definitive technical information permitting the enlightened use of the state's mineral, oil and gas, water, and energy resources. The office of State Geologist as well as the Geological Survey were established in 1948.

PRESENT PRACTICES

The Geological Survey and the employees of the Oil and Gas Board report to the State Geologist. He appoints two assistants, one in charge of technical operations and the other to supervise the Administrative Division. This division provides support service for both the Oil and Gas Board and the Geological Survey.

The Programs and Plans Office has the responsibility of planning survey projects and developing research programs. It evaluates current needs

for water, mineral, and energy resources information and initiates programs accordingly. Research activities are conducted in conjunction with state and federal agencies as well as colleges and universities. Fiscal 1971 expenditures for the Geological Survey amounted to \$545,100.

OPERATING EFFECTIVENESS

The Geological Survey works in cooperation with the U. S. Geological Survey, U. S. Bureau of Mines, various counties and cities, the Water Resources Institute, as well as other agencies and institutions. It ranks third or fourth in the nation as to the quality and number of highly skilled professionals on its staff and total amount of funds available for operations.

It receives about 10,000 requests for information each year. Most are answered by letter with a copy of one of the many publications done by the Geological Survey enclosed.

About \$1,000 worth of printed material is sold each month. Publications are also distributed to principal geological survey libraries across the country and several hundred offices throughout the world.

RECOMMENDATIONS

1. Reduce the mailings made to announce new publications.

The Geological Survey sends a notice of each new publication to about 800 names on a mailing list. Approximately 30 mailings are made annually. This should be reduced to two mailings, one every six months. The annual saving will amount to \$4,500.

2. Accelerate the survey and related programs of this agency.

Compression of the basic resources inventory program and the in-depth environmental studies

into a five-year versus the presently planned 15-year period will reduce the labor cost inflation factor significantly. On a broader level, the availability of data being compiled by this agency will greatly assist state and local government agencies in planning and funding for future developments in the state.

The one-time cost is estimated at \$4-million. However, this would be more than offset by the tangible savings as well as related benefits to be gained from early access to the comprehensive data bank.

Based on present sharing arrangements, substantial additional costs relating to these tasks will be borne by the federal government. Since assignments between state and federal employees are freely interchanged on joint projects, a review and correction of salary inequities is strongly recommended.

Oil and Gas Board

The primary objective of this board is to promote the conservation of crude oil and gas resources in the state. It has the authority to regulate drilling and may take control of wells, if necessary, to prevent wanton waste.

PRESENT PRACTICES

The board is composed of three members appointed by the Governor and the State Geologist who serves ex officio. He also acts as the board's secretary and is responsible for enforcing its rules, regulations, and orders. All board members, including the State Geologist, receive \$3,600 per year as compensation plus reasonable expenses for each meeting attended.

On September 30, 1971, the board had a staff of 59 members including 21 full-time employees. Fiscal 1971 operating expenditures amounted to \$337,000. There is a very close relationship maintained between the Oil and Gas Board and the Geological Survey.

OPERATING EFFECTIVENESS

This board appears to do an excellent job of enforcing its rules and regulations as no fines have been imposed in the last few years. Permits to drill cost \$25. This fee, charged for new wells or

deepening existing ones, has not been changed since 1945. Weekly drilling reports and monthly production reports are supplied without charge by the board to a mailing list.

The board shares costs of utilities and maintenance of its facility with the Geological Survey. Space is available in the basement of this building for maintenance activities.

RECOMMENDATIONS

1. Increase the fee for drilling permits.

The \$25 fee was set in 1945 and is not adequate to cover inspection costs. Therefore, it should be increased to \$100. Based on issuance of 125 permits annually, the additional income should be \$9,400 per year. Previously collected amounts totaling \$13,000 should be invested unless immediate use of the revenue is planned.

2. Initiate a charge for weekly drilling reports and monthly well production information.

These reports are sent without charge to a mailing list of approximately 1,500 persons. Establishing a subscription charge of \$30 per year should reduce the list to 1,000, providing an annual saving of \$5,000. The charge will produce an annual income of about \$30,000.

Soil and Water Conservation Committee

This committee is responsible for the coordination and promotion of soil and water conservation programs within the state. A substantial portion of its general fund appropriation is used for watershed improvement project planning.

PRESENT PRACTICES

Through its executive secretary, this six-member committee provides informational and advisory services to approximately 67 soil and water conservation districts. Each of these organizations includes five district supervisors who are reimbursed for travel expenses in lieu of any other compensation.

In recent years, the committee has devoted most of its attention to sponsorship of proposals for federal assistance to a number of flood control projects. These small watershed projects include provisions for municipal and industrial water supplies, recreational developments, land treatment measures, and the like. Completed, in-progress, and contemplated projects involve more than \$40-million in federal and \$24-million in county and municipal funds.

The committee has also been active in resource conservation and development proposals covering major projects involving several counties. One such project has an estimated cost, on a sharing basis, of \$100-million. Fiscal 1972 operating expenditures for the committee total \$156,000 and have not changed appreciably for the past three years. Some nine local watershed associations receive direct appropriations from the state totaling about \$68,000 per year.

OPERATING EFFECTIVENESS

The committee meets approximately twice a year and appears to give only general guidance to the executive secretary. At present, there is a lack of specific information regarding expenditures for soil and water conservation projects and not enough progress reporting.

Direct state appropriations to several watershed district organizations tend to discourage a uniform business management approach to the control of activities and expenditures for the overall function. Travel costs for the executive secretary and his assistant appear excessive and much of

the business handled at meetings of the district supervisors could be taken care of either by mail or telephone communications.

RECOMMENDATIONS

1. **Abolish the committee, reorganize the work force, and reassign the function to the Cooperative Extension Service.**

The committee operates as an advisory rather than an executive body and should be abolished. By assigning the work force to the Cooperative Extension Service, the somewhat fragmented operation would be merged into a larger organization with similar aims. Such a consolidation will reduce secretarial and related costs at the local level.

In addition, the aerial photographer specialist now employed by the committee should be reassigned to the department which has statewide responsibility for such activities. One of his duties — showing an educational filmstrip at various schools — can be eliminated by duplicating the film and loaning it to the schools. The one-time cost is estimated at \$1,000. An annual cost of \$1,500 is anticipated for incidental photographic services. However, the merger is expected to produce an annual saving of \$96,400 by abolishing the committee, reducing personnel levels, eliminating some local automobile and travel expenses, and decreasing the size of various watershed district appropriations.

2. **Discontinue state reimbursement of travel and per diem costs of district supervisors.**

In fiscal 1971, the state reimbursed various district supervisors for local travel and expenses incurred in attending the annual statewide meeting. The total expenditure was \$31,600.

As the activities involved are for the benefit of counties, most of which have watershed or resource conservation and development projects planned or underway, it is felt that these counties should assume this cost. Moreover, the counties are in a position to recoup such expenditures through reassessment of properties improved under this program. The total annual cost would be \$31,600 or approximately \$500 per county. This amount would represent an annual saving to the state.

Department of Archives and History

This department provides care and custody for official records and collects material of historical value to the state. Every two years, it publishes an official and statistical register of all Alabama officials. The report also includes information on certain other historical associations, records commissions, and the like.

PRESENT PRACTICES

The department is governed by a nine-member Board of Trustees. The director is appointed by this board and he is supported by a staff of 23 employees. For fiscal 1972, the department will receive \$215,000 in state funds.

Various historical commissions receive appropriations varying from \$2,000 to \$72,000 annually. This last mentioned allocation is for the Alabama Historical Commission. The Council on Arts and Humanities now receives some \$62,500 in annual appropriations, a 50% reduction from the Governor's recommendation and appropriations for previous years. The State Records Commission and the County Records Commission receive no funds.

OPERATING EFFECTIVENESS

Personnel are dedicated and follow proven systems to ensure the preservation of articles of historical and present value. The addition of more modern equipment would improve efficiency and provide savings in personnel costs.

The Alabama Historical Commission is an active and effectively directed entity. It has been successful in obtaining annual federal grants of more than twice the amount of its state appropriation. Through its efforts, more than \$8-million has been contributed during the past five years from private subscriptions. The other historical commissions are miniscule in contrast.

The Council on Arts and Humanities has been crippled by the 50% reduction in its appropriation. The impact of this reduction on federal grants, which are substantially in excess of state funding, is not known. The two records commissions meet infrequently and attendance is poor.

Some effort is being made at the state level to establish retention guidelines for various records,

but these are followed with varying degrees of effectiveness. No studies are being made of county record retention practices.

RECOMMENDATIONS

- 1. Abolish the State Records Commission and delegate authority for preserving state records to an action-oriented committee.**

This commission is inoperative for extended periods and must depend on the Department of Archives and History to meet its expenses. Therefore, it should be abolished and replaced with an action-oriented group consisting of the Director of the Department of Archives and History as chairman, and representatives from the Department of Examiners of Public Accounts and the Attorney General's organization.

This group would establish record retention guidelines for all state agencies and designate certain materials as archives items. Enabling legislation should provide travel expenses for specialists who may be required by the committee.

- 2. Use existing storage areas for offices when record retention schedules are established.**

Certain departments have established record retention schedules while others have no guidelines or have not implemented them. Implementation of the proposed record retention schedules in two departments will free an estimated 30,000 square feet of space for use as offices. Based on present interdepartmental rental rates, the annual saving would be \$85,800. Additional savings should be realized through other agency studies.

- 3. Abolish the County Records Commission.**

This commission exists only on paper. Therefore, the authority for recommendations relating to the preservation of county records should be transferred to a committee to be chaired by the Director of the Department of Archives and History. Other members would include a probate judge, circuit clerk, one or two county clerks, and a representative from the Attorney General. A detailed study of one or two counties should permit development of statewide guidelines.

- 4. Combine selected historical commissions.**

At present, there are some 12 commissions which could operate more effectively if they were

phased into the Alabama Historical Commission over a reasonable period of time. Implementation would provide an annual saving of \$40,000 in operating expenses.

5. Require additional financial participation by local groups cooperating with the Council on Arts and Humanities.

The state appropriation for this agency has been reduced 50% to \$62,500 annually. In order to prevent curtailment of the council's programs,

increased financial assistance should be sought from local groups seeking its services.

6. Sell waste paper generated by the file and record disposal.

Present statutes require old state records to be burned. This has been reinterpreted to encompass burial to curtail potential pollution. Amending the statute to permit shredding, baling, and sale of the waste paper resulting from record disposal would offer a more practical solution.

Highway Department

This department is responsible for planning, design, construction, and maintenance of the state's highways. It also participates in various federal highway and beautification programs.

PRESENT PRACTICES

As of February 1972, the state's highway system consisted of 639 miles of interstate and 9,846 miles of other state highways. In addition, the state is responsible for maintenance of 5,938 miles of paved and 4,243 miles of unpaved county roads.

The department is headed by a director appointed by the Governor. Its central office establishes policies, determines long-range highway programs and near-term activity schedules, and provides administrative and support services to the operating units. There are 10 counties and one city which have elected to become totally dependent on the state for the construction and maintenance of the roads.

Annual expenditures are considerably influenced by federally funded programs. In recent years, federal funds have covered approximately 40% of direct expenditures. For fiscal 1972, the department has an appropriation of about \$239.3-million, including an anticipated \$105-million in federal funds.

OPERATING EFFECTIVENESS

Much public criticism has been directed at this department because of the disproportionate increase in expenditures as compared to construction volume. The problem is the overall depart-

ment structure which is more than 30 years old and results in mismanagement and inefficiency.

In addition, widespread use of the patronage system and the generally low pay scales make it difficult to attract and retain qualified personnel. A lack of consistent policies in regard to inventories, purchasing, mobile equipment, and contract administration results in misuse of equipment and funds.

RECOMMENDATIONS

1. Consolidate the line functions reporting to the director.

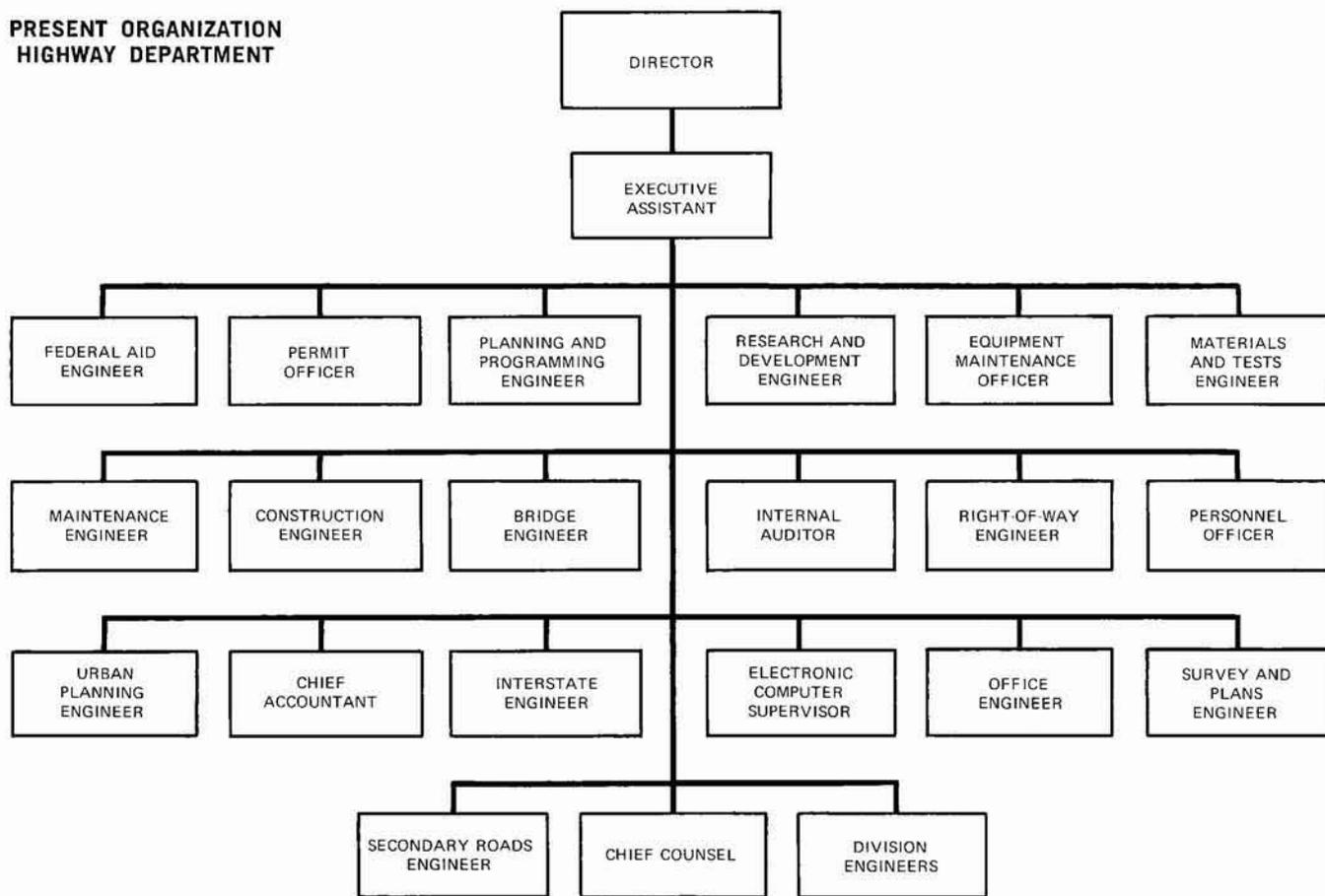
The present organization, outlined in the chart to the right, makes it impossible for the Highway Department to function effectively. In addition to eight field divisions, there are some 18 bureaus reporting to the director through his assistant.

The problem can be alleviated by consolidating the responsibilities of these bureaus into four general areas as shown in the proposed organization chart on page 108. They would include Engineering, Operations, Planning, and Administration. In addition, the claims function should be incorporated into the chief counsel's operation and a staff bureau, Management Science, established to improve the cost effectiveness of the department.

2. Create a Management Science Bureau.

At present, the Highway Department does not have an agency with the capability to define, design, and implement procedures and systems. The result has been inefficiency and duplication within department operations.

**PRESENT ORGANIZATION
HIGHWAY DEPARTMENT**



Establishing a bureau to carry out this function would cost approximately \$120,000 per year. However, properly utilized, this organization should reduce overall operating expenses by 5% for an annual saving of about \$5.12-million.

3. Eliminate the abuse of the title of engineer.

Although many persons in the Highway Department are called engineers, review shows that they are not qualified or registered as such in the state. A more restrained policy in regard to the use of this title would improve the morale of the professionally registered engineers in the department and should increase operational efficiency.

4. Initiate monthly staff meetings.

At present, there are no scheduled staff meetings in the department. As a result, there is a communication gap among its operating units. Monthly staff meetings should be required to aid in setting uniform policies and establishing bureau and division needs in regard to funds, personnel, and equipment. Savings are expected, but cannot be quantified.

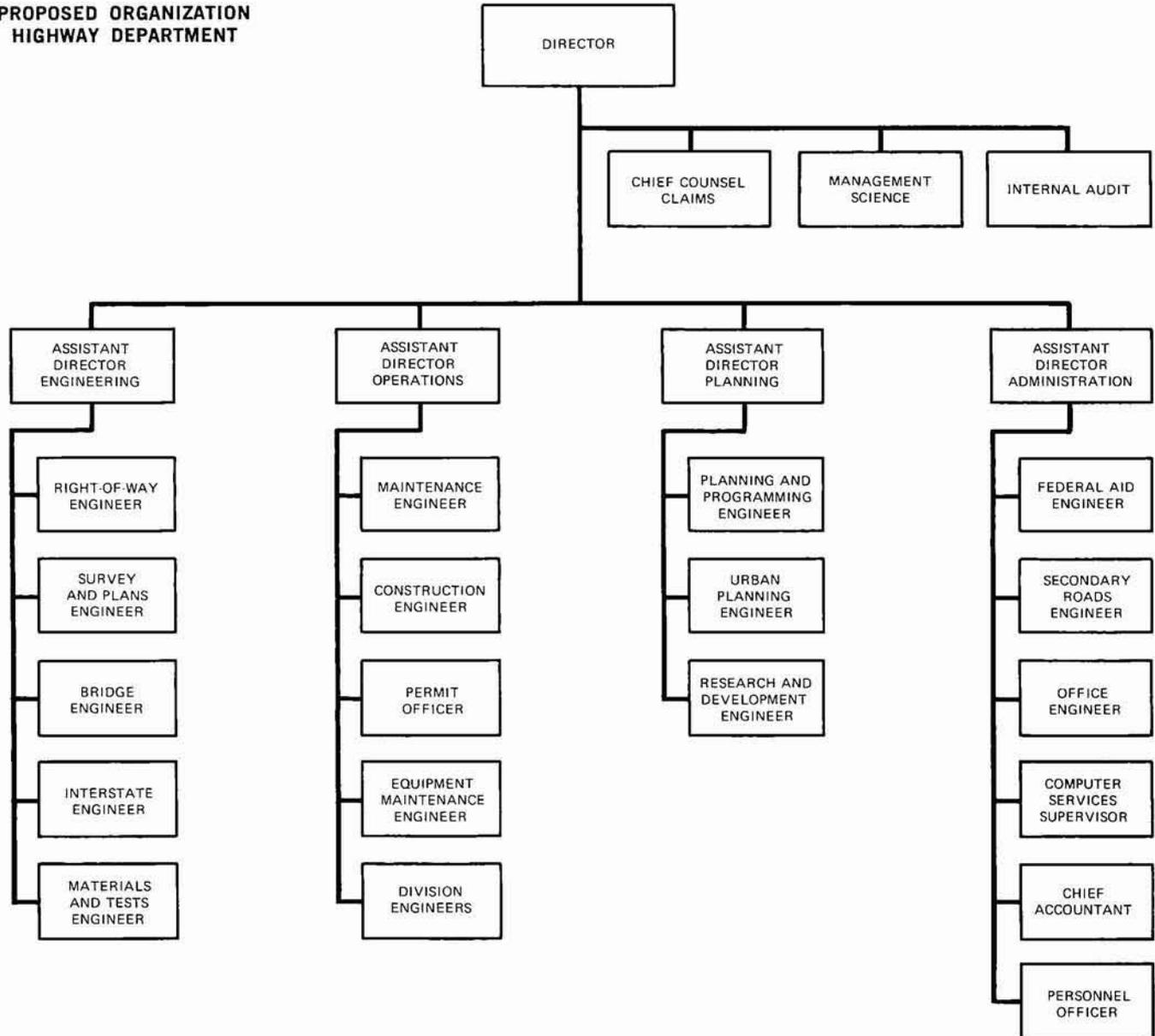
Administration

Administrative functions of the Highway Department are the responsibility of seven bureaus. These include the Bureau of Chief Counsel, the Permit Section, Bureaus of Accounts and Finances, Equipment and Maintenance, Internal Auditor, Personnel, and the Computer Services Division.

The prime responsibility of the Chief Counsel is to advise and represent the Highway Department on any matter of a legal nature. The Permit Section issues permits covering oversize and overweight loads that move over state and federal roads in Alabama.

The Bureau of Accounts and Finances records and reports all department financial activities and prepares the 17 biweekly payrolls. The Bureau of Equipment and Maintenance controls department inventories in these areas and operates repair shops. The Bureau of Internal Auditor examines records and operations of all activities within the Highway Department.

**PROPOSED ORGANIZATION
HIGHWAY DEPARTMENT**



The Bureau of Personnel must furnish qualified applicants for vacancies, review disciplinary matters, maintain employee records, promote safety and morale, and provide staff training. The Computer Services Division provides data processing capabilities to the entire department.

All seven bureaus report to one man, resulting in a complete lack of effective leadership and administrative control. There are no established goals or budgetary and cost control responsibilities in any of these operations. Political patronage is evident in some and all require direction.

The operation of Chief Counsel has well defined responsibilities which are not followed because of conflicts with other bureaus and the overall lack of strong administrative leadership. The Permit Section is overstaffed and provides services at no charge to the users. Accounts and Finances does not use modern methods to perform its functions.

Many activities are performed manually despite the existence of computer capacity. The Bureau of Internal Auditor is not being utilized correctly and is not properly staffed for organizational re-

views and audits. The Bureau of Personnel has personnel, safety, and training responsibilities which cannot be adequately met without increased department emphasis and additional staff.

The Computer Services Division performs in a satisfactory manner, but there are areas of over-staffing and underutilization of personnel. The approach to accounting and financial systems is fragmented and unsatisfactory.

RECOMMENDATIONS

5. Upgrade attorney positions in the Bureau of Chief Counsel.

This bureau does not have sufficiently qualified personnel to fulfill its responsibilities. This is because the salary ranges provided under the state merit system are inadequate.

By upgrading existing attorney positions to more competitive salaries, better qualified personnel can be obtained. The annual cost is estimated at \$8,100.

6. Transfer supervision of right-of-way condemnation proceedings to the Bureau of Chief Counsel.

At present, such supervision is handled by the Bureau of Right of Way. However, it is felt that all cases involving a refusal of the offer made by this bureau are potential court proceedings. Therefore, further action should be referred to the Bureau of Chief Counsel. Implementation should provide a minimum savings of 10% in outside attorney fees and 5% in acquisition costs. The annual saving is estimated at \$737,000.

7. Increase the director's flexibility in administering state funds for federally reimbursed projects.

In the federal aid area, changes occur so frequently it is impossible to predict the amounts and types of federal funds which will be made available to the state on a matching basis. Since the Legislature meets only once every two years, the Highway Department's director should be empowered to transfer state matching funds from one program to another with approval of the Budget Officer in the Department of Finance. This will improve the administration of funds.

8. Establish a fee schedule for Alabama road permits.

Although Alabama controls oversize and overweight vehicles which travel its roads through

permit issuance, it charges no fee for this service. A minimum charge of \$5 should be established to offset processing costs. The fee should graduate upwards depending on the gross weight, number of axles, size of load, and vehicle.

Based on the 70,000 permits issued in fiscal 1971, implementation will provide a minimum annual income of \$350,000. Revenues should be used to retire department bonds.

9. Reduce the number of employees in the Permit Section by one.

An employee now classified as a laborer has no specific duties and is not fully utilized. This position should be abolished to provide an annual saving of \$4,300.

10. Establish an effective cost control system.

The allotment and expenditure statements now used should be revised to reflect total operating costs chargeable to reimbursable projects or authorizations. In this way, the net cost to the state will be apparent and controls can be put into effect. Annual savings cannot be estimated.

11. Modify current payroll procedures.

At present, manual records are maintained on employee vacations earned, sick leave earned, and time taken off. Standardizing the procedure for a computer application will reduce the cost by \$5,300 per year.

12. Eliminate payroll deductions for personal insurance and stop insurance solicitations during working hours.

Payroll deductions for personal insurance purchased by employees are now made for 20 insurance companies. A separate invoice is rendered by each company against each of the 17 biweekly payroll and reconciliations are time consuming and expensive.

Since the coverage is voluntary on the part of the employee, the practice of allowing payment through payroll deductions should be stopped. Insurance solicitors are also allowed to make sales calls during working hours. This, too, should cease. Implementation should provide an annual saving of \$3,200 by eliminating the reconciliation procedures.

13. Limit reporting of detailed costs on automobile equipment to vehicles performing well above or below average.

Standards should be established covering operating charges for all automotive vehicles. Detailed

costs should be reported only on those which operate at 25% above or below these guidelines. Although no specific savings are claimed, such information will improve repair and replacement decisions.

14. Discontinue the visual check of account numbers.

Current visual checks of account numbers on employee time reports and equipment use data should be discontinued. Implementation would allow a staff reduction of one position for an annual saving of \$7,500.

15. Eliminate one clerk from the Bureau of Accounts and Finances.

The cost group of the payroll/cost section is overstaffed for its work load by one accounting clerk. Eliminating this position will provide an annual saving of approximately \$7,500.

16. Establish strict expense account regulations regarding out-of-state plane versus automobile travel.

When commercial plane travel is available, employees should not be allowed to travel by car and collect for the plane fare plus enroute lodging and meal expenses. No savings are claimed.

17. Computerize the vouchers payable register.

At present, eight employees are needed to maintain a vouchers payable card file. This register could easily be maintained on the computer. Implementation would provide an annual saving of \$19,300 through the elimination of three positions in the Fiscal Accounting Section. The annual cost would be \$700.

18. Make the systems analyst available on a full-time basis to improve accounting systems and procedures.

The cost duties presently assigned to the systems analyst should be transferred to the cost group of the payroll/cost section. This will leave the systems analyst free to improve existing accounting systems and procedures. Such improvements should make it possible to eliminate at least two clerical employees. The estimated annual saving is \$9,600.

19. Implement the internal audit functions.

For the past eight years, the internal audit function has not been properly utilized within the Highway Department. Instead, the department's director has used the Internal Auditor in the role of a final authority regarding operational con-

flicts. In certain areas, his qualifications to make such decisions are questionable. By implementing the internal audit function as defined and approved by the director on February 1, 1972, this operation will be returned to its proper role of audit and review.

20. Initiate an administrative education and training program.

This program could be administered by the training coordinator at little additional cost. The one-time cost of producing the necessary brochures is estimated at \$1,000.

Approximately 20% of the students in the engineering education and training program now managed by the coordinator would be involved in the new project. Simultaneous recruitment, solicitations, and speaking engagements for both programs will keep administrative costs at a minimum.

21. Implement an effective field safety program.

The position of safety coordinator should be upgraded and his responsibilities increased in regard to implementing an effective field safety program. It will be necessary to employ two assistants and a steno/clerk to staff this effort.

The result should be a drastic reduction in job injuries and attendant expenses. The annual cost is estimated at \$24,700. Based on fiscal 1971 compensation and medical expenses of about \$214,000, a savings of approximately 25% — \$53,500 — should be possible on an annual basis.

22. Install an EDP project accounting and control system.

At present, systems and programming projects are managed very informally with insufficient records and documentation being generated. The net effect is inefficiency and excessive costs. Installation of an effective EDP project accounting and control system should result in a 1% savings in personnel and equipment expenditures. The annual saving would be \$50,000. One-time costs of implementation are estimated at \$10,000.

23. Combine systems analyst personnel in the computer center.

The Urban Planning and Bridge Bureaus maintain their own analysts and programmers, resulting in underutilization of these employees. Transferring such personnel to the computer center will provide more productive use of their time and talents.

24. Contract with the computer supplier for extended term provisions on rental.

Currently, the contract for EDP equipment is on a 30-day rental basis, the most expensive method there is. By placing certain pieces of the equipment on two-year extended contracts, a 16% reduction in cost would be attainable. The annual saving would be \$7,700. Before the contract is signed, the possible advantages of a third-party leasing arrangement should be investigated.

25. Expedite the Utah/New Mexico Earthworks System project.

At present, certain engineering applications are being run on the department's computer equipment in simulation modes. During the simulation periods, the full resources of the EDP equipment cannot be used by the department. Expediting this project will increase the equipment's work load capacity by 30% to 40%.

26. Provide an educational budget for training personnel in the computer center and certain approved bureaus.

Experience is the most expensive and time-consuming method of training personnel. Offering administration and technical courses to personnel in the computer center and certain department bureaus will increase their ability and usefulness. An annual cost of \$20,000 to establish an educational budget will be more than offset by the increase in efficiency and job knowledge.

27. Eliminate dual supervision at the computer center.

At present, two persons supervise this operation. The result is inefficiency and conflicts. Eliminating one of the supervisors will produce an annual saving of \$12,600 and improve the operation.

28. Elevate the computer center to bureau status.

Implementation will give the director of this activity a chance to enhance the efficiency of the center. Further, it will involve the personnel more directly in daily operations and procedures of the Highway Department.

29. Reduce the number of data entry operators.

These operators are underutilized. Eliminating four positions will provide an annual saving of \$20,200 and reduce the overstaffing problem.

30. Eliminate the cabinet shop.

This facility is obsolete and would cost about \$160,000 to replace. Furniture can be purchased

from outside suppliers at a saving of 20%. Therefore, this operation should be closed. The annual saving would be \$15,400.

31. Construct a new central repair facility at Montgomery.

There is no modern state garage facility in Montgomery to provide maintenance for state-owned vehicles and heavy equipment. The annual cost to provide one is estimated at \$25,600. The annual saving to be achieved through increased efficiency would be approximately \$41,900.

32. Provide a conditional appropriation to the Highway Department for matching unanticipated federal funds.

Current appropriations for fiscal 1972 and 1973 are fixed amounts for matching specific federal highway programs. Nothing has been provided for additional programs which may be established. A conditional appropriation would allow the state to take advantage of unanticipated federal funds.

Planning and Programming

Planning activities of the Highway Department are the responsibility of the Urban Planning and Planning and Programming Bureaus. These units provide the department with present inventories and future plans for the state's highway system. The Federal Aid Bureau audits and coordinates the plans to ensure compliance with regulations and maximum federal benefits.

The Planning and Programming Bureau operates with 108 employees. Its annual appropriation is almost \$1.2-million. It has responsibilities in five areas: surveying and mapping, traffic engineering, programs and needs, systems and records, and fiscal and statistical.

The Urban Planning Bureau has 45 employees and an appropriation of \$750,000. Its activities are divided into seven areas: office management, traffic studies, planning statistical work, traffic counting, design, data processing, and developing traffic operation programs to increase capacity and safety. The Federal Aid Bureau operates with an appropriation of \$181,000.

The Planning and Programming Bureau appears to lack various modern procedures in carrying out its functions. One of the more noticeable deficiencies is the absence of a photogrammetry program. A standard procedure to provide monthly or quarterly cost records on the com-

puter should be established to ensure proper control of expenditures.

RECOMMENDATIONS

33. Establish a cost control program for the Urban Planning and Planning and Programming Bureaus.

Neither unit has an effective cost control system. As a result, there is no means for comparing costs and determining expenditures. Establishing such a system will provide management with valuable information.

34. Install an aerial photogrammetry program.

The Bureau of Planning and Programming still uses conventional methods of mapping and surveying. States currently using aerial photogrammetry report improved efficiency and savings of up to 50% over standard procedures.

Implementation of such a program would cost about \$50,000 per year. The annual saving is estimated at \$100,000.

35. Rename the Bureau of Planning and Programming as Bureau of Planning.

Time-consuming inquiries regarding data processing are often received by this bureau because of its name. The problem could be eliminated by changing it to the Bureau of Planning.

Engineering

There are seven bureaus responsible for various engineering functions in the Highway Department. They are Materials and Tests, Secondary Roads, Bridges, Interstate, Right of Way, Research and Development, and Surveys and Plans.

The Bureau of Materials and Tests determines what materials are to be used in constructing state highways. The Bureau of Secondary Roads administers Federal Aid Secondary Funds (FAS) allocated to various counties. The Bureau of Bridges designs and develops plans for areas where bridges are needed. The Bureau of Interstate is responsible for the location and design of Alabama's interstate highways. Rights of way are acquired through the Bureau of Right of Way.

The Bureau of Research and Development administers research and training projects and evaluates new products used by the department. The Bureau of Surveys and Plans establishes highway locations, makes field surveys, directs utility relocations, and prepares highway plan assemblies.

For the most part, the bureaus perform satisfactorily. The Bureaus of Bridges and Interstate are to be commended for their performance. Improving the work flow in the bureau operations would provide smoother working conditions, reductions in peak loads, and better personnel utilization. Some reorganization and internal realignments should also be made to improve its operating efficiency.

RECOMMENDATIONS

36. Schedule work on a long-range basis to eliminate unnecessary preparation of highway plans.

Much expense is incurred in the engineering bureaus as a result of plans being carried through almost to completion and then shelved. This is caused by improper work scheduling and could be eliminated by establishing long-range plans and following through on them. The estimated annual saving would be \$1.9-million.

37. Stress implementation in contracts for research projects and require oral presentation of each research report to department officials.

Research contractors should be required to show how highway construction can be aided by their data. Contracted projects should set out to solve a specific problem and results should include implementation methods.

38. Purchase magnetic tape dictation equipment for the Bureaus of Interstate, Right of Way, and Surveys and Plans.

Approximately 90% of the correspondence from these bureaus must be drafted by hand. Dictation equipment would reduce the time involved by 10%. The cost would be more than offset by the increase in efficiency.

39. Relocate the Tests Section.

This section is physically divided into two locations. Regrouping the operation into the facilities at Fairground Road will provide better supervision and coordination of laboratory tests. Costs involved will be more than offset by the long-range efficiency which will result.

40. Perform asphalt and concrete plant inspections at the division level.

These inspections are now performed at the division, district or project level. In some areas, the result is that nonqualified personnel are used as

inspectors. All inspections should be made at the division level by trained personnel. Inspectors should be certified by the bureau every five years. It is estimated that 5% of the \$24-million spent annually on asphalt and concrete could be saved. The annual saving would be \$1.2-million.

41. Use modern procedures for all laboratory and field tests.

Some out-of-date tests are still in use by the department. All procedures should be reviewed and updated as necessary.

42. Convert the Bureau of Research and Development to a section under the Bureau of Materials and Tests and reduce its operating personnel.

This bureau is overstaffed and performing duties which are closely related to those of the Bureau of Materials and Tests. Therefore, it should become a section of this bureau. Implementation will provide an annual saving of \$43,000 through personnel reductions.

43. Update filing procedures in the Bureau of Materials and Tests.

At present, files are cluttered with unnecessary copies because of inefficient filing procedures. To eliminate the problem, the following steps should be taken:

- ▶ File only the bureau chief's copy of correspondence or memorandums.
- ▶ Destroy purchase orders after two years except for equipment orders which should be retained until the equipment is disposed of.
- ▶ Stop filing duplicate correspondence.

Implementation will result in greater office efficiency and reduced space needs.

44. Require the Geotechnic Section to report to the materials engineer.

This section now reports to an assistant bureau chief. A reorganization so this section would report to the materials engineer will allow the assistant bureau chief more time for his other duties.

45. Require the Bureau of Secondary Roads to perform final inspections on Federal Aid Secondary Funds projects.

At present, final as well as interim inspections on FAS projects are made by assistant division engineers. Since the Bureau of Secondary Roads is

ultimately responsible for the projects, it should participate in the final inspections.

46. Perform maintenance inspections on FAS projects when there is evidence of continued substandard work.

The Bureau of Secondary Roads has the authority to cut off county FAS funds if the county fails to maintain the project in accordance with the state's contract. The bureau, therefore, should make its own inspections when there is evidence that the county is not providing proper maintenance procedures.

47. Make the existing varitype machine available to the Bureau of Bridges and other department units which may need it.

This machine is now in the possession of the Bureau of Planning and Programming. It should be made available to other bureaus on a request basis when needed.

48. Increase the work output in the Bureau of Bridges through mechanical aids.

This bureau's productivity could be increased by having employees do their figuring on electronic calculators. The cost of the calculators is estimated at \$2,200 for five machines. Productivity would also be increased by using sepia and photographic methods to reproduce drawings which need only minor changes. Implementation could reduce staff requirements by one position for an annual saving of \$10,600.

49. Change the preparation method for property plats in the Bureau of Right of Way.

At present, the bureau plats are ink-on-linen drawings. Changing to pencil-on-vellum will reduce the drafting time required by 50%. Implementation will eliminate the need for one design assistant and provide an annual saving of \$6,200.

50. Use photo reduction to make scale changes in the Bureau of Right of Way.

The Highway Department has the equipment and manpower to perform photo reduction work to a specified scale. Utilizing it will reduce the amount of time needed to prepare property plats significantly.

51. Trace right-of-way maps from drawings prepared by the divisions.

Right-of-way maps are prepared from scratch, using the division's preliminary drawing only as a guide. By tracing the maps from the drawings

and adding the new information required, the amount of time involved will be significantly reduced.

52. Hand letter right-of-way and property plats.

At present, lettering is done using the LeRoy guide. Hand lettering would reduce the time required for preparation and eliminate the need for one design engineer. The annual saving is estimated at \$9,800.

53. Streamline the procedure for checking legal descriptions in the Bureau of Right of Way.

A more efficient method for checking legal descriptions than the one presently used would entail dictating the description via dictation equipment to a typist. The finished copy would then be proofed and compared with the right-of-way plat. Implementation would eliminate the need for one clerk, providing an annual saving of \$4,300.

54. Computerize the forms used by the Bureau of Right of Way for relocation payments and assistance.

The bureau now uses more than 20 forms to process each right-of-way case. A complete study should be made by a computer expert to design an automated, streamlined application for handling forms needed for relocation payments and assistance. Savings cannot be estimated at this time.

55. Reduce outside appraising expenses by improved use of the staff in the Bureau of Right of Way.

The bureau now has qualified staff appraisers doing review work, although trained reviewers are available. By making proper use of both classifications of employees, the use of outside appraisers could be drastically reduced. The annual saving would be approximately \$141,000. The annual cost of adding two clerks would be \$12,000.

56. Limit survey parties to nine persons.

Survey parties are now authorized at 10 persons. By eliminating an engineer assistant from each and limiting the number of survey parties to eight, the department will realize an annual saving of \$47,000.

57. Reduce costs on metal pipe.

Authorizing 16 gauge corrugated metal pipe for cross drains will reduce costs by approximately 9.5% of the total installation price. The annual saving is estimated at \$28,800.

Construction and Maintenance

The Bureau of Construction is responsible for new projects from prequalification of contractors until the construction is completed. The Bureau of Maintenance is responsible for maintenance of state and interstate highway systems. Each works with counterparts in eight geographic divisions.

The Bureau of Construction operated under an appropriation of about \$189,200 for fiscal 1972. It prepares plans, studies, and estimates in the field for contract letting, advising potential contractors of the size and nature of the work as well as the bidding date. Contracts are usually awarded to the lowest bidder unless the estimate exceeds that of the federal aid engineer.

Specification changes made after a contract award are coordinated by the bureau and the geographic division involved. Both are responsible for bridge construction and landscaping. The divisions also supply necessary supervision of contractors working in their areas, examining any unusual project costs which may arise during construction.

The Bureau of Maintenance operated with an appropriation of almost \$19.5-million for fiscal 1972. It maintains 10,485 miles of state highways, 5,938 miles of paved, and 4,243 miles of unpaved county roads. Responsibilities are coordinated by the bureau with eight geographic divisions. Day-to-day operating functions are under the supervision of the assistant division engineer.

The divisions which provide implementation of construction and maintenance responsibilities are, for the most part, overstuffed. They have been organized for peak work loads and indefinite authority lines lead to conflicts with contractors and unnecessary errors. Performance efficiency varies between divisions because of a lack of standardization and poor communications with the bureaus. The result is unclear plans and specifications which are often changed in the division after the contract is let. Cost records and procedures are so generalized that they do not provide necessary information.

RECOMMENDATIONS

58. Submit travel expenses as amounts actually expended within the defined maximums.

At present, personnel are reimbursed for travel expenses based on the time of departure and return. If a daily trip takes six hours, the employee

receives the set allowance for one meal. If the trip is 12 hours long, two meal allowances are granted. For overnight travel, designated units are used, based on departure and arrival times. Changing this system to pay only for actual expenses incurred should provide an annual saving of \$30,500.

59. Streamline the current bidding and contracting procedures.

In 90% of the bids submitted, the lowest offer does not exceed the federal aid engineer's estimate by 10%. In these cases, the list of low-bid contractors and jobs should simply be forwarded to the Director of the Highway Department for approval.

It is only when the lowest bid exceeds the federal aid engineer's estimate that investigation by the Bureau of Construction is required. Although no specific saving is claimed, implementation will streamline the current bidding and contracting procedures.

60. Remove the landscaping engineer from the Bureau of Construction.

This engineer advises the bureau on incorporating landscaping specifications into contracts. He also consults with the Bureau of Maintenance on existing landscapes. Since he has responsibilities within both organizations, he should report to the assistant highway director rather than the Bureau of Construction.

61. Submit field reports to the Bureau of Construction on a bimonthly basis.

At present, monthly reports are submitted to the bureau covering employee's status with regard to current projects. Much of the data is repetitious and submitting these reports every two months should be sufficient. Implementation will eliminate one clerk/typist in each division for an annual saving of \$18,300.

62. Eliminate one clerk/stenographer in the Bureau of Maintenance.

This position in the bureau is currently vacant. Eliminating it would provide a savings of \$5,100 per year.

63. Eliminate one utility laborer.

At present, this employee is budgeted by the Bureau of Maintenance, but actually works as a supply clerk for another bureau. Deleting this position from the Bureau of Maintenance will provide an annual saving of \$4,600.

64. Establish a comprehensive maintenance management program.

Although some 3,200 positions within the Bureau of Maintenance are classified as measurable, this organization does not have a maintenance management program to evaluate employee performance. Louisiana and Tennessee have initiated such programs and project savings of 10% the first year, 15% the second, and 20% for each succeeding year.

Implementation would require the services of a professional consultant at an estimated one-time cost of \$300,000. By the third year, annual savings would be approximately \$1.96-million.

The bureau's training and maintenance manual should be updated at the same time the program is installed. Statewide coordination of the measurement project should be assigned to a capable individual.

65. Establish an examination procedure for the purchase of resurfacing material.

Currently, the Highway Department receives annual bids for hot plant mix used in resurfacing projects. Bid prices, which must stay in effect for an entire year, bear no relation to actual department needs. Therefore, a purchase examination procedure should be established to determine a relationship between costs and projected needs. Lowering the cost by only \$1 per ton at current usage rates would produce an annual saving of \$1.25-million.

66. Reduce personnel in the Traffic Department after completion of the current project.

A project to bring pavement markings, signs, and traffic signals into conformance with federal regulations is scheduled for completion in 1976. At this time, the present force of 29 should be reduced to 13 to reflect the diminished work load. Implementation would provide an annual saving of \$85,500 to the state and the same amount to the federal government. Further savings may be realized by contracting this type of work to prison industries.

Field Divisions

There are eight field divisions which carry out the work of the Highway Department in their respective geographic areas. Each is supervised by a division engineer. Divisions are comprised of a number of counties and, for the most part, each county is represented by a district office reporting

to the division engineer. In general, the divisions and the districts are staffed so their responsibilities parallel those of the Highway Department.

The divisions employ a total of 3,900 permanent employees and use the services of approximately 2,000 temporary workers. The fiscal 1972 appropriation for these operations totaled some \$25.6-million. The division engineers set policy and prescribe rules and regulations which follow department guidelines.

Each division operates autonomously, resulting in a very decentralized department. This independence should be reduced and greater consistency in regard to administrative and operational procedures established.

RECOMMENDATIONS

67. Request funds for acquisition and installation of new equipment simultaneously.

In some instances, equipment has been purchased before funds were available to implement necessary installation procedures. As a result, the equipment must stand idle until additional money is appropriated. Requesting funds for acquisition and installation at the same time will eliminate the problem and save \$6,800 annually.

68. Keep all files on completed work projects at Montgomery.

Two years after a project is completed, all work files should be transferred to the Montgomery headquarters for consolidation. Implementation will provide more efficient use of division office space.

69. Eliminate 40 compaction inspectors by purchasing 16 nuclear density testing machines.

Major projects require several inspectors on a full-time basis for compaction tests. Substituting nuclear density testing machines will eliminate the need for 40 inspectors. The one-time cost would be \$72,000 while the annual saving is estimated at \$306,000.

70. Limit transit crews to four employees.

Most transit crews are overstaffed and should be reduced to four persons. The annual saving would be \$572,000.

71. Discontinue the use of department vehicles for personal transportation.

Department vehicles are being used by employees for transportation to and from work at an annual cost of \$561,500. Eliminating the practice would provide an annual saving of this amount.

Office of Coordinator of Highway and Traffic Safety

This office is responsible for exploring every facet of the problem of highway and traffic safety. It must advise and assist the Governor and various state agencies to achieve the maximum benefits possible.

PRESENT PRACTICES

It is the responsibility of this office to identify major highway and traffic safety problems, formulate plans of action to meet anticipated needs, establish a priority schedule, and coordinate state and local programs as well as those sponsored by private sector groups. The staff consists of 13 employees who, in addition to keeping records and preparing various reports, must meet requirements which enable the state to participate in several federal aid programs.

At present, the office is working on short- and long-range priority schedules to enable it to direct available resources to achieve maximum benefits. Operating expenses for fiscal 1971 were \$119,200 while expenditures totaled more than \$1.3-million. The Coordinator of Highway and Traffic Safety meets monthly with members of the Legislature and other officials to review programs developed by those agencies concerned with public safety.

OPERATING EFFECTIVENESS

The Legislature has adopted the 16 standards of highway and traffic safety based on the United States Highway Safety Program Manual. They are to be developed on a continuing basis, according to need and the availability of funds. While some

legislation has been passed concerning several standards, a priority program and status-reporting procedures are needed. Although the Office of Coordinator of Highway and Traffic Safety must coordinate intradepartmental programs, its current location makes this difficult.

RECOMMENDATIONS

- 1. Establish a priority program and status-reporting procedures for each of the 16 safety standards.**

A priority program and status-reporting procedures should be developed by the Office of Coordinator of Highway and Traffic Safety to enable departments to direct maximum effort toward the more important standards.

- 2. Relocate the Office of Coordinator of Highway and Traffic Safety to a central state building as soon as possible.**

The proposed relocation would enable the office to maintain better contact with other state agencies involved with public safety programs. The annual saving would be \$11,700 now paid in rent. The annual cost of state facilities is estimated at \$6,700.

- 3. Reduce the clerical personnel by one.**

There appears to have been no increase in work load to justify the addition of an accounting clerk. Eliminating this position in the Office of Coordinator of Highway and Traffic Safety would provide an annual saving of \$7,500.

Department of Aeronautics

This department is responsible for general supervision of all phases of aviation activity in the state. It reports directly to the Alabama Aeronautics Commission.

PRESENT PRACTICES

The department has six full-time employees including the director. Almost \$105,000 has been appropriated for operating expenses for fiscal 1972. Funds for department operations and aviation grants are derived from taxes on aviation fuel. Duties of this organization range from visual inspection of airfield facilities in the State of Alabama to financial grants for improving or constructing them.

OPERATING EFFECTIVENESS

The department is more than adequately staffed for its present activities. The commissioner form

of organization appears to be most effective and serves in the best interests of the general aviation public.

RECOMMENDATIONS

- 1. Transfer the department's airplane to the proposed aircraft pool.**

This airplane is only used an average of 11.3 hours per month. Scheduled inspections of airfields can be organized on a route basis so this aircraft should be transferred to the proposed pool in the Department of Finance.

- 2. Eliminate the current position of aeronautical assistant.**

If the plane is transferred, there will no longer be a need for the department to employ a pilot. Implementation will provide an annual saving of \$11,900.

State Docks Department

This department operates a terminal port to accommodate deep sea vessels. The port is equipped with facilities to handle and store inbound and outbound cargo.

PRESENT PRACTICES

The department is headed by a director who reports to the Governor. The docks operations manager has 19 units which report to him. The docks

have 33 berths to accommodate vessels in the port of Mobile. Of these, 28 are designed for general cargo ships, three are equipped for handling bulk material, and two are accessible to grain elevators.

The organization is self sustaining in that the revenue it realizes is used to pay for overhead expenses as well as capital expansions.

OPERATING EFFECTIVENESS

As a whole, the State Docks Department is run efficiently. The Terminal Railroad, although a separate entity, is organizationally a subsidiary of the department. Because it is subject to certain federal laws, Terminal Railroad employees are represented by five labor organizations. This creates a situation where merit system personnel are paid less than union-represented workers.

Accounting procedures and the department's organizational structure need improvement. Both should be simplified for greater efficiency.

RECOMMENDATIONS

1. Reduce the functions reporting to the docks operations manager to four.

At present, there are 19 people reporting to the docks operations manager through an assistant. This results in an unwieldy operation and unnecessary confusion. Reorganization into four major functions—Finance and Administration, Sales and Public Relations, Operations, and Engineering—would greatly improve efficiency.

2. Abolish the position of docks operations general manager.

This position has been vacant since 1970. Abolishing it will produce an annual saving of \$21,700.

3. Eliminate one assistant docks operations manager.

One of the four persons with this title is the channel through which people report to the docks operations manager. His other responsibilities include janitorial services, security, and delinquent accounts receivable.

The maintenance work could be handled elsewhere, delinquent accounts referred to the comptroller, and security made a responsibility of the docks operations manager. This would eliminate the need for this position, simplify the organizational structure, and produce an annual saving of \$14,500.

4. Establish a motor pool for the general-use vehicles.

At present, there are nine cars and pickup trucks assigned to employees, although they only require the vehicles while at work. Establishing a motor pool to provide transportation will produce an annual saving of \$4,700 by eliminating to and from work mileage.

5. Establish a comprehensive department maintenance program.

An efficient program of preventive maintenance, similar to those used by industry, should reduce department costs by 10%. The annual saving to be achieved by implementation would be approximately \$44,800.

6. Pay invoices with a discount clause within the discount period.

At present, invoices are grouped in a way that prevents the department from paying within discount periods. Separating discount invoices to ensure prompt payment would result in an annual saving of \$15,000.

7. Replace seven Terminal Railroad employees in Data Processing with six merit system workers.

Morale in Data Processing is very low because Terminal Railroad employees are paid at a much higher scale than merit system personnel performing the same work. By transferring the Terminal Railroad employees to other jobs and substituting merit system personnel, the problem will be solved. Implementation will result in a saving of \$92,600.

8. Increase EDP equipment utilization or reduce hardware capability.

At present, the department uses less than 20% of its computer capacity. A study is in progress to determine how utilization can be increased without cost to the State Docks Department.

9. Eliminate one superintendent of the cotton compress.

As there are no plans to continue processing cotton through the State Docks Department, this position should be eliminated. The annual saving would be \$14,500.

10. Install a rail hopper car pit at the public grain elevator.

Present facilities can only accommodate one of the three hoppers at a time. A car pit would increase the capacity to include all three and re-

duce unloading time by about 67%. The one-time expenditure of \$36,000 will permit an annual saving of \$92,600.

11. Install automatic bin deck equipment in the old public grain elevator.

Present equipment is outdated and should be replaced. Implementation will require a one-time expenditure of \$150,000 but will eliminate the need for nine operators, resulting in an annual saving of \$103,000.

12. Install automatic grain hopper scales in the old public grain elevator.

Installing an automatic weighing system would reduce personnel by one grain weigher per shift.

The one-time expenditure of \$50,000 will result in an annual saving of \$41,000.

13. Install drag scrapers at the meal facility of the public grain elevators.

Installing this equipment would eliminate the need for two employees and increase production by approximately 20%. A one-time expenditure of \$70,000 will permit annual savings of \$27,400.

14. Improve the access roads to the state docks.

Present roads are congested because several railroad tracks intersect them. Therefore, the Highway Department should work with the State Docks Department on a study of access roads. This project should start immediately.



THE GOVERNOR'S COST CONTROL SURVEY

SECTION II

**Functional
Reports**

Printing and Publications

A printing and publications function exists in almost every department and, in many cases, is duplicated within various sections of a department. Printing services are also purchased in large quantities from outside suppliers. Offset printing, duplicating, and copy services comprise the major portion of the printing and publications activities. Some photography and film development is done.

PRESENT PRACTICES

The majority of the state's printing and duplication activities are handled in the capitol complex. Several other state institutions, such as the universities and correctional facilities, have their own duplicating services. Prison printing capabilities are available to other state agencies. Several comprehensive studies have been made of the state's printing function, some as recently as 1969. Approximately 150 employees are engaged in graphic arts assignments.

OPERATING EFFECTIVENESS

The individual printing and publication operations vary between extreme efficiency and a total lack of organization. Almost all of the studies made of this function have recommended centralization, but this has not been accomplished as yet. There is little coordination of supplies purchasing and the total printing effort could be improved.

RECOMMENDATIONS

1. Create a statewide position of Manager of Printing and Publications.

This person would report to the Division of Service in the Department of Finance. He would authorize all purchases, equipment locations, and printing schedules at the capitol complex. The annual cost is estimated at \$18,000. Implementation should provide significantly increased efficiency and control.

2. Reduce the number of print shops to eight.

Machinery is scattered over 20 print shops in the capitol complex. Production outputs vary and equipment utilization rates are uneven. These facilities should be reduced to eight with six low-volume shops in various state buildings, one high-volume operation, and a specialty service.

The proposed streamlining should reduce labor costs by 10% for an annual saving of \$21,500. The one-time cost of consolidation is estimated at \$2,000.

3. Adopt the copy center approach for low-volume printing.

Separate cameras, photo work, plate burners, offset presses, folders, collators, drills, and stitchers require individual work operations and staff. New concepts in low-volume printing offer all of these functions combined in a single machine. Studies show that a 60% saving can be realized on labor and preparation costs.

It is estimated that 50% of the state's printing requirements are suited to this kind of equipment. The one-time cost of implementation would be \$130,000. Annual savings are estimated at approximately \$167,600.

4. Study copy machine utilization.

The state has a vast number of copying machines which may not all be properly utilized. Therefore, a study should be conducted by the proposed management service group to establish the number and location of equipment, use, volume, and quality needs.

Implementation should result in significant savings by eliminating surplus equipment. It is estimated that 15% to 20% of the present equipment can be eliminated through the use of copy centers.

5. Limit use of personal engraved stationery.

Providing standard letterheads for departments, rather than personalized stationery which must often be changed, would provide an annual saving of \$3,900 in reduced printing costs.

6. Review work of outside suppliers with a view to better utilizing internal capacity.

Approximately \$400,000 in printing is supplied by outside vendors. After establishing a central print shop, it is estimated that 75% of this work could be performed by the state. The estimated annual saving would be \$45,000.

7. Consolidate photographic purchases at the capitol complex and organize a central supply room.

At present, each department purchases its own photographic equipment and supplies. Centraliz-

ing this activity would provide an annual saving of \$13,000.

8. Establish a work order cost system to charge capitol complex departments for printing services.

Reviews of printed materials indicate that 15% would not be produced if the true costs were known. Therefore, a formal cost system should provide an annual saving of \$75,000 at current volumes. The annual cost of implementation

would be \$8,500 for an additional accountant to handle the system.

9. Centralize the scheduling of capitol complex printing orders.

By centralizing the printing order schedules, work could be assigned to available equipment which would produce the material at the lowest cost. The increase in efficiency should result in an annual saving of \$240,300. The annual cost to provide a scheduling manager is estimated at \$9,000.

Motor Vehicle Fleet Management

At present, the various state agencies and departments operate a total of 1,700 passenger cars. These vehicles come under the state inventory system and are procured through the State Purchasing Agent on a bid basis. Heavy equipment operated by the Highway Department is not included in the count.

Approximately 5,400 school buses are in service at elementary, high school, junior college, and vocational technical institutions. They are purchased with funds allocated through the Alabama Special Educational Trust Fund, administered under the state education program.

PRESENT PRACTICES

An inventory of passenger automobiles is maintained by the State Auditor. Assignment of a vehicle to a state employee is the responsibility of the chief executive officer of the agency with approval by the Director of Finance. A booklet containing instructions for obtaining gas and repairs at state-owned facilities was distributed to drivers of state-owned vehicles in late 1969. Each department submits vehicle specifications on purchase requests sent to the State Purchasing Agent.

Repair and maintenance shops operated by the Highway Department and the Department of Public Safety are available to all state-owned passenger cars. Credit cards from numerous major oil companies are issued in the name of the respective department or agency and given to a driver upon request.

Each department or agency requires operating data on its vehicles. Normally, the driver makes

a monthly report. It is up to the department or agency to determine replacement standards and the number of vehicles needed for operation. The motor pool in the capitol complex operates from 6:00 a.m. to 7:00 p.m., Monday through Friday, and from 6:00 a.m. to noon on Saturday.

OPERATING EFFECTIVENESS

There is no uniform basis for assigning passenger automobiles to state employees. In addition, there is no consistent retirement policy nor standard purchase specifications regarding types, models, and extra equipment.

Records and submission of operating data are not standardized, so there is no way to compare operating costs between departments and agencies. Purchases of gas and oil with credit cards are excessive and unnecessarily expensive. Drivers are not taking full advantage of state-owned gasoline pumps. The motor pool in the capitol complex is well organized and properly equipped for an enlarged efficient fleet operation.

RECOMMENDATIONS

1. Establish uniform regulations for the assignment and use of state vehicles.

A uniform basis for permanently assigning state-owned vehicles should be adopted by all departments and agencies. Such assignments should be limited to heads of boards, commissions, committees, departments, and agencies as well as those employees whose jobs require more than 1,000 miles of driving per month on state-related business.

two vocational trade and technical schools in Montgomery could clean the engines and make minor repairs. Sales should be held on Saturday to attract individual buyers and newspaper announcements expanded to include a larger number of statewide papers. Regional sales might be used to reduce transportation costs.

Agencies exempt from the state inventory system should be encouraged to dispose of their cars through the state sale lot instead of trading with a local dealer. A contract agreement should be made with the auctioneer on a commission basis rather than the present flat fee. If the state realizes an additional \$100 per vehicle, the annual income would be \$26,500. This amount has been claimed elsewhere.

8. Establish standard reports on motor vehicle operations.

Passenger car cost data are now recorded manually and by computer. Although all departments and agencies compile information on vehicle operation, there is no evidence that the data are being used effectively. Using standardized forms on a statewide basis would provide uniform information for comparison purposes. Implementation will result in a 5% annual saving on operating costs for a total of \$250,000.

9. Restrict the purchase of gasoline and oil at commercial service stations.

Drivers of state vehicles are now issued one or more commercial credit cards upon request. Issuance and use of these cards to purchase gasoline, oil, and repairs at commercial sources should be closely supervised and audited.

A central control report of such transactions should be instituted and a policy established that such purchases only be made in emergencies. Overall savings through the use of state-owned facilities cannot be calculated because the state accounting system does not provide necessary information. In addition, needless use of premium ethyl gasoline should be curbed.

10. Establish a universal credit card for state-owned passenger cars.

There are advantages in a universal credit card. They include:

- ▶ Drivers will only need one card instead of several.
- ▶ It will provide better control of credit purchases and minimize loss or misuse potential.
- ▶ Oil companies will furnish detailed statements to state departments and agencies for analysis and verification of charges.

Data Processing

The data processing systems in the state consist of 14 separate installations in the capitol complex. Within the higher educational school system, there are 36 facilities. The total annual cost of the state's data processing services is more than \$10.8-million. Approximately 24% of this cost is paid with federal funds. Some \$3-million is invested in EDP equipment.

PRESENT PRACTICES

The capitol complex facilities use a wide variety of equipment from different manufacturers. Equipment costs rose at an average of 38% per year during the past four years. None of the installations operate a full three shifts. Only a few have a second shift. Decisions regarding EDP operations, applications, and standards are made by the departments with installations. Three of the facilities provide services to other agencies.

Since 1968, there has been a total of seven studies involving the data processing areas. Each revealed a vast proliferation of equipment although existing capabilities were greatly underutilized.

OPERATING EFFECTIVENESS

The data processing activities of the state are characterized by overlapping personnel assignments, duplication of services, low utilization of equipment, and rising costs. There is a critical need for a central planning and control authority to execute a statewide plan for EDP programs and facilities.

This agency is required to provide direction in regard to equipment selection and use as well as development and implementation of applications. These are vital activities which can never be achieved under the present organizations.

two vocational trade and technical schools in Montgomery could clean the engines and make minor repairs. Sales should be held on Saturday to attract individual buyers and newspaper announcements expanded to include a larger number of statewide papers. Regional sales might be used to reduce transportation costs.

Agencies exempt from the state inventory system should be encouraged to dispose of their cars through the state sale lot instead of trading with a local dealer. A contract agreement should be made with the auctioneer on a commission basis rather than the present flat fee. If the state realizes an additional \$100 per vehicle, the annual income would be \$26,500. This amount has been claimed elsewhere.

8. Establish standard reports on motor vehicle operations.

Passenger car cost data are now recorded manually and by computer. Although all departments and agencies compile information on vehicle operation, there is no evidence that the data are being used effectively. Using standardized forms on a statewide basis would provide uniform information for comparison purposes. Implementation will result in a 5% annual saving on operating costs for a total of \$250,000.

9. Restrict the purchase of gasoline and oil at commercial service stations.

Drivers of state vehicles are now issued one or more commercial credit cards upon request. Issuance and use of these cards to purchase gasoline, oil, and repairs at commercial sources should be closely supervised and audited.

A central control report of such transactions should be instituted and a policy established that such purchases only be made in emergencies. Overall savings through the use of state-owned facilities cannot be calculated because the state accounting system does not provide necessary information. In addition, needless use of premium ethyl gasoline should be curbed.

10. Establish a universal credit card for state-owned passenger cars.

There are advantages in a universal credit card. They include:

- ▶ Drivers will only need one card instead of several.
- ▶ It will provide better control of credit purchases and minimize loss or misuse potential.
- ▶ Oil companies will furnish detailed statements to state departments and agencies for analysis and verification of charges.

Data Processing

The data processing systems in the state consist of 14 separate installations in the capitol complex. Within the higher educational school system, there are 36 facilities. The total annual cost of the state's data processing services is more than \$10.8-million. Approximately 24% of this cost is paid with federal funds. Some \$3-million is invested in EDP equipment.

PRESENT PRACTICES

The capitol complex facilities use a wide variety of equipment from different manufacturers. Equipment costs rose at an average of 38% per year during the past four years. None of the installations operate a full three shifts. Only a few have a second shift. Decisions regarding EDP operations, applications, and standards are made by the departments with installations. Three of the facilities provide services to other agencies.

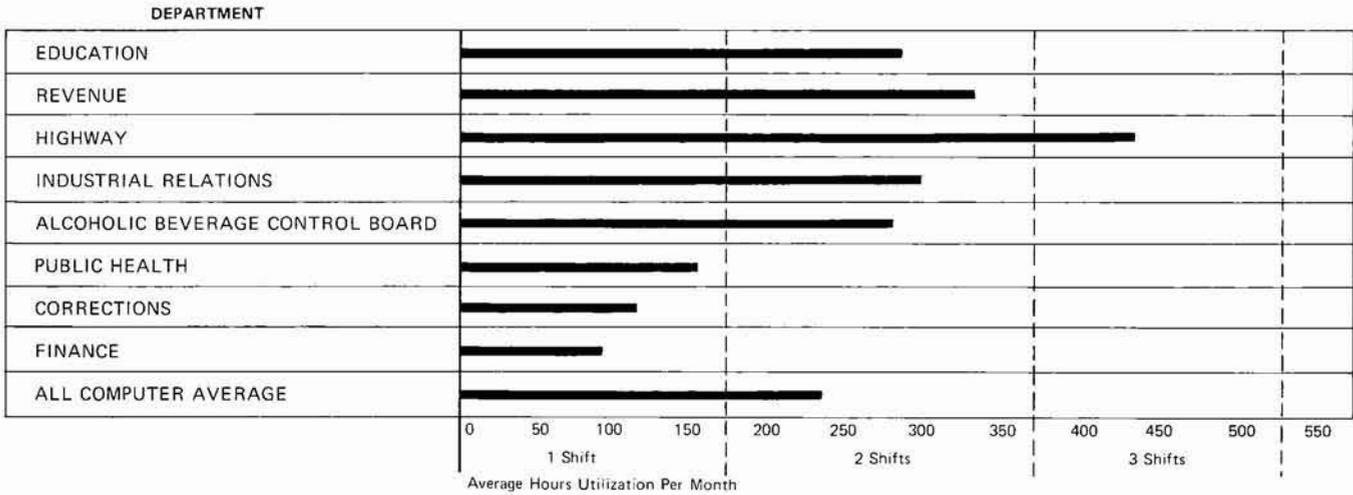
Since 1968, there has been a total of seven studies involving the data processing areas. Each revealed a vast proliferation of equipment although existing capabilities were greatly underutilized.

OPERATING EFFECTIVENESS

The data processing activities of the state are characterized by overlapping personnel assignments, duplication of services, low utilization of equipment, and rising costs. There is a critical need for a central planning and control authority to execute a statewide plan for EDP programs and facilities.

This agency is required to provide direction in regard to equipment selection and use as well as development and implementation of applications. These are vital activities which can never be achieved under the present organizations.

UTILIZATION BY DEPARTMENT – 1971



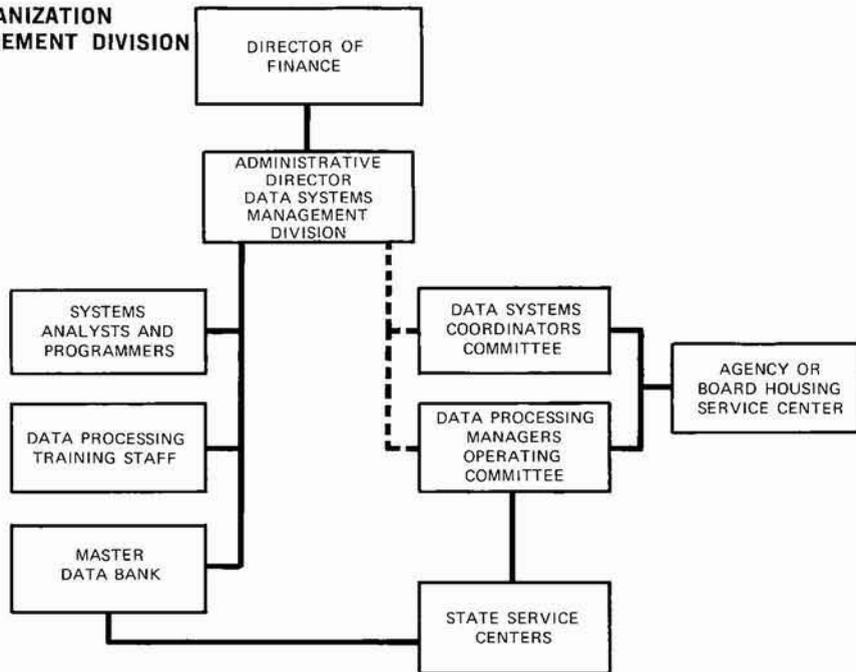
Currently, acquisition of data processing equipment and personnel is made without any consideration of statewide needs. There is little attempt to economize by consolidating EDP facilities. The control which is exercised over state funds to support data processing activities is not adequate.

There is a definite need to coordinate management practices in this area. Effective use of pres-

ent data processing resources can result in better use of tax dollars.

Because of the fragmentation of data processing services at the capitol complex, there appears to be a high ratio of personnel cost to that of equipment. The total computer utilization rate, shown in the above bar chart, is very low. At present, there is no standard method for determining the cost and justification for current or proposed

**PROPOSED ORGANIZATION
DATA SYSTEMS MANAGEMENT DIVISION**



applications and equipment. Without this, it is impossible to determine priorities for effective utilization of EDP resources.

RECOMMENDATIONS

1. Establish a Data Systems Management Division in the Department of Finance.

There is an urgent need for central control of state-operated data processing activities. Collecting and processing accurate information requires carefully planned programs and efficient use of existing and proposed equipment. Successful utilization of data processing techniques in the state depends on the establishment of a control agency within the Department of Finance.

The proposed division, illustrated in the chart on the preceding page, would coordinate the activities of six state service centers with a centralized computer facility. Its primary responsibility would be to plan, control, and coordinate statewide data processing activities to ensure the most economical use of the state's resources. It would also provide systems analysis and programming service to user departments.

2. Recruit an administrative director for the proposed division.

The Data Systems Management Division must be headed by a person with a background in management information systems, internal functions, and capacities of computer uses. Among his duties, the director shall:

- ▶ Develop and maintain a master plan for the state's data processing activities.
- ▶ Effect implementation of the plan.
- ▶ Provide systems design and programming services to all state agencies.
- ▶ Approve and guide the development of all data processing systems.
- ▶ Determine the most effective methods to meet state needs.
- ▶ Act as an advisor to all branches of state government.
- ▶ Establish data processing and advisory services for county and local governments.
- ▶ Implement training programs.
- ▶ Justify data processing activities and costs in order to measure effectiveness.

- ▶ Provide needed facilities and maintain adequate records for performance evaluations.
- ▶ Prepare contract specifications for equipment and services.
- ▶ Update job descriptions and qualifications in coordination with the state's Personnel Department.
- ▶ Publish rules and regulations pertaining to data processing activities and provide an annual statewide report on this function.

Implementation will require a one-time recruiting expenditure of \$2,000 and an annual cost of \$25,700 to provide a qualified director.

3. Implement a statewide training program for data processing personnel and agency users.

Effective training is essential to the success of the data processing effort. Therefore, a wide-range program of courses should be established under the guidance of a professional training group to ensure the continuing ability of the state's data processing personnel to respond to changes.

Implementation of the proposed training will ensure more effective utilization of all equipment. The one-time cost of instructional equipment is estimated at \$4,100. Annual costs for personnel and space will be \$46,000. A potential annual saving of approximately \$150,000 will be gained through increased productivity and skills.

4. Establish an evaluation program for all data processing applications now used by capital complex installations.

Too many of the agency installations are using outdated applications. Therefore, a review should be implemented to evaluate current programs and upgrade ineffective ones. Classification should cover processing frequency, computer time required, programming language, equipment needs, status of procedures, and documentation. Implementation would provide more effective use of personnel, software, and equipment.

5. Develop a statewide master plan for data processing.

A master plan is vital if the state is to use its data processing resources efficiently and avoid unnecessary expenditures and ineffective programs. In drawing up such a plan, consideration must be given to technical development and projected needs for at least five years in the future.

Although the average increase in costs for data processing has been 35% for the past four years, the trend could be reduced to at least 25% and later to 10% through implementation of the proposed statewide EDP master plan. Projects would include:

- ▶ Establishment of six state service centers and a central data base by 1973 to replace individual installations now operated by various agencies in the capitol complex.
- ▶ Initiation of a new procedure for establishing service costs of the centers and development of data processing budgets based on user requirements.
- ▶ Formation of the proposed Data Systems Management Division headed by a qualified administrative director.
- ▶ Provision of systems analysis and programming services by this division.
- ▶ Upgrading six state service centers by 1975 into three large-scale computers sharing a central data base maintained by a fourth large-scale computer system.
- ▶ Development of a five-year master plan to be continually updated.

The annual cost of implementation is estimated at \$205,000. The annual saving, averaged over the next five years, is expected to be approximately \$4.7-million.

6. Coordinate activities of the Data Systems Management Division with plans for data processing development in the Department of Education.

The Computer Utilization Conceptual Plan developed by the Department of Education is sound and should be evaluated and updated regularly to ensure its continuing effectiveness. In addition, guidelines should be established to provide coordinated efforts between the Department of Education and the proposed Data Systems Management Division.

At present, the department has 36 installations in various educational institutions. It is expected that the master plan for educational data processing will include a regional approach for equipment and personnel utilization. Such consolidation, excluding four large university computer centers, should provide an annual saving of at least 10% or about \$160,000 compared to present expenditures.

7. Establish procedures for educational institutions within the proposed Data Systems Management Division and coordinate the sharing of software resources.

At present, each institution develops its own software. Development of a program for sharing this material will save much time and effort. It will also provide for increased utilization of data processing equipment. Although savings are anticipated, they cannot be quantified.

Office Space Management

State-owned office space in the capitol complex totals more than 900,000 square feet. Allocation and maintenance are under the control of the Director of Finance. New facility construction is handled by the Building Commission as authorized by the Legislature.

Rental charges average \$3 per square foot as compared to \$5 for rental in commercial buildings by agencies in Montgomery. Annual costs for a typical state building, including bond retirement, maintenance, and utilities amount to \$500,000. Buildings outside of the capitol complex are controlled by the occupying agency.

PRESENT PRACTICES

When agencies outgrow their space, they are permitted to acquire rented offices. Leases are limited to one year. When the amount of rented space is sufficiently large, a request is made to the Legislature to authorize a bond issue for building construction. Rent from the proposed facility is pledged toward retiring the bonded indebtedness.

A small staff provides routine maintenance while large jobs are contracted to local firms. The Director of Finance must authorize any space allocation changes.

OPERATING EFFECTIVENESS

Virtually all the agencies in the capitol complex lack sufficient space. An increasing amount of space is rented in commercial buildings and there is a loss of efficiency in departments which must occupy more than one site. In some cases, small buildings are being purchased out of operating funds.

Space allocation is done on the basis of expediency rather than as a result of preplanning. There is no complete inventory of buildings owned or leased by the state and no uniform standards for allocation of facilities.

RECOMMENDATION

1. Establish a statewide space management program.

The Director of Finance should establish an office to be responsible for the formulation of a statewide space management program. All requests for additional facilities would be investigated by this organization and recommendations made regarding optimum solutions. It would also be responsible for establishing long-range plans in regard to state space needs. The annual cost is estimated at \$30,000. Implementation should reduce rental requirements and provide an annual saving of \$150,000.

Food Service Management

Food services are a necessary adjunct to various state-supported institutions. At present, seven-day manned food service functions, supplemented by vending machines, are provided in state correctional, mental, and higher learning facilities. Additionally, canteens are operated by the Board of Corrections with profits reverting to a welfare fund for inmates.

The elementary and secondary schools are given accounting services, basically for the school lunch programs, under the State Board of Education. There is no statewide coordination of food service programs.

PRESENT PRACTICES

Correctional institutions serve 4,300 inmates three meals daily. For fiscal 1971, cash purchases were \$508,000, farm products totaled \$285,000, and U. S. Department of Agriculture commodities represented \$45,000. Salaries were \$130,500.

Mental institutions feed approximately 8,000 daily. Cash purchases for fiscal 1971 were more than \$1.7-million, farm products totaled \$452,000, and U.S.D.A. commodities represented \$236,000. Labor costs including fringe benefits were almost \$1.6-million. The University of Alabama Hospital serves 3,600 meals daily at an average raw food cost of \$0.44 per meal. No government commodities are available.

The 1,328 elementary and secondary schools in the state have 563,000 students participating in

the school lunch program. In fiscal 1971, approximately \$29-million worth of food was purchased and \$9-million in U.S.D.A. commodities was received. Each school makes its own purchases.

The state does not contribute to food service programs in the elementary and secondary schools. Approximately half of the cost is federally reimbursed and the remainder is paid for by students and donated funds.

OPERATING EFFECTIVENESS

Physical facilities do not meet minimum sanitary standards in some correctional and all mental institutions. Processing purchase orders and eliminating unreliable suppliers are additional problems at the mental institutions. Also, there is no long-range planning program in regard to maintenance, equipment, and facilities evidenced among the various food service functions.

RECOMMENDATIONS

1. Establish a Food Service Office at the state level to coordinate activities for all correctional and mental institutions.

At present, there is no statewide coordination of food service activities. Therefore, a Food Service Office should be created with a director reporting to the Director of Finance.

This person should be fully qualified in food purchasing and receiving techniques and capable of establishing specifications and cost standards. The annual cost is estimated at \$25,000. Improvement

in food service functions on a statewide basis should provide an annual saving of \$50,000.

2. Make all food service operations subject to State Board of Health sanitary inspections.

All but the newest correctional institutions fail to meet minimum sanitary standards. At present, members of the various departments carry out inspections of food service facilities. Such inspections should be assigned to the State Board of Health and this department given authority to require compliance with its sanitary standards.

3. Establish a long-range equipment planning program.

There is no effective long-range planning being done in regard to maintenance, equipment replacement, and improvement of physical facili-

ties. Therefore, one of the duties of the proposed Food Service Office would be to provide such a plan for each facility showing goals, methods, and estimated time for implementation.

The result will be an orderly appraisal of current and future needs with specific methods for achieving established goals. Although savings cannot be quantified, they should be substantial.

4. Invest surplus food service funds from elementary and secondary schools.

At present, there is approximately \$8-million in food service funds which are not producing investment income. By authorizing school superintendents to release up to 70% of this money for investment at 5%, the schools would realize additional annual income of \$280,000.

Telecommunications

The state's telecommunication systems consist of switchboards, local telephone services, intercity telecommunications, educational television, and data communications.

PRESENT PRACTICES

The state government telecommunication network involves 38 telephone companies. The estimated total cost for telephone service in fiscal 1971 was \$1.47-million.

Telephone service requests for the capitol complex are processed by the Telephone Section of the Department of Finance's Division of Service. This division is also responsible for capitol complex switchboards. Those at educational units are managed by the institutions. A state telephone directory is published biennially at a cost of approximately \$3,000.

There are four computer facilities which use data transmission. They are located in the Education, Highway, and Industrial Relations Departments and the University of Alabama.

The Educational Television Commission provides statewide television coverage through nine transmitters. ETV is operated as a single network, utilizing the state microwave facilities for transmission of video and audio signals.

OPERATING EFFECTIVENESS

There is no person or group charged with total responsibility for the state's telecommunication systems. At present, no central methods of cost control exist and it is becoming increasingly difficult to meet state communication requirements. Rising costs are a major factor. In April 1970, the state had prepared a Telecommunication Master Plan, but to date, implementation of this plan has not occurred.

RECOMMENDATIONS

1. Install the proposed Alabama Centralized Telecommunication System (ACTS).

The continuing growth of the state's government requires a more modern, flexible, and efficient communications system. An intercity voice and data communication system has been designed to meet this need. The network, which consists of private lines, WATS, and Telpak, would serve 165 locations in 31 cities. It will also provide access to additional off-network locations.

Benefits will include a uniform dialing plan, direct dialing on a 24-hour basis, and a switching center on the telephone company premises. There will be a combined monthly bill for network services for approximately 93% of the state's telephones that would be on the proposed net-

work. The one-time cost of installation would be \$15,900. The annual saving would total \$88,800.

2. Develop and program a combined monthly billing for the proposed telecommunication network.

At present, no central control point exists for statewide telephone service and statistical data. A combined monthly billing computer application would provide useful management information in regard to telephone service control. The cost would be no more than the present manual system and would provide more meaningful data.

Charges for the network would be prorated among the users.

3. Establish a supervisor for the proposed telecommunication system.

Although statewide telephone expenses average almost \$1.5-million annually, there is no full-time supervisor to process service requests. Establishing such a position should provide better control of required telephone service. The annual saving is conservatively estimated at 2% of the annual telephone charges or about \$30,000. The annual cost would be \$10,000.

Aircraft Fleet Management

The State of Alabama presently owns 20 airplanes and one helicopter and leases one jet. Two of the planes are not operational, two others and the helicopter are used for educational purposes, six are assigned to forestry work, and the remainder are scattered among various departments.

PRESENT PRACTICES

There are 12 pilots and one aircraft mechanic on the state payroll, representing an annual expense of about \$180,000. This does not include personnel at the Alabama Institute of Aviation or those doing forestry work. Total cost of operation for the 12 state-owned planes, excluding depreciation, insurance, maintenance, and overhaul reserve, is estimated at \$429,000 per year.

During the last 12 months, the average utilization rate per aircraft was 235 annual hours. The national average is 400 hours and corporations generally achieve 50% higher rates through central control and scheduling of aircraft and crews.

OPERATING EFFECTIVENESS

At present, there is no agency charged with responsibility for controlling the purchase, use, and maintenance of the state's aircraft. Personnel classifications are out of date and planes are not properly maintained. Purchasing specifications are not in accordance with the intended or actual use of equipment bought. In its present condition, the aircraft function represents an ineffective use of state resources.

RECOMMENDATIONS

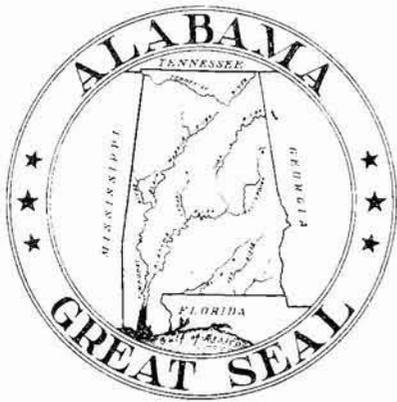
1. Create an aircraft pool in the Department of Finance.

Aircraft now owned and operated by various departments and agencies are being inefficiently used, resulting in excessive expenditures by the state. To remedy the situation, a central pool should be organized in the Department of Finance. It should be directed by an administrative chief who is also a jet pilot. He would be responsible for establishing policies and procedures in regard to aircraft, pilots, and maintenance.

An aeronautics administrator would be responsible for reservations, scheduling, purchases, and related administrative duties. The Highway Department's hangar should be expanded to accommodate the pool equipment. The one-time cost would be \$55,000. There would be a one-time income of \$125,000 by disposing of excess aircraft and the annual saving is estimated at \$64,000.

2. Establish an authorization and billing procedure for aircraft use.

All air travel should be coordinated with the Division of Services and future utilization approved by the using department's director, subject to review by the division. Charges should be comparable to commercial rates. Implementation should provide an annual saving estimated at approximately \$20,000 by eliminating improper use of state-owned aircraft.



THE GOVERNOR'S COST CONTROL SURVEY

SECTION III

**Statewide
Reorganization**

Statewide Reorganization

The Executive Branch of state government is made up of more than 140 commissions, boards, and departments. Almost all report administratively to the Governor. This extensive span of control and such factors as noncurrent terms of appointees and use of independent policymaking boards as well as the large number of elected officials limit the Governor's ability to control the Executive Branch effectively.

During the course of the present review, the major emphasis has been on improving existing organizations. However, as the study teams progressed in their evaluations, it became apparent that the overall analysis would be incomplete unless the problems of reorganization were explored to some degree.

The present structure does not provide direct lines of accountability to the Governor as the chief executive officer of the state. It also limits efficient management of state services. This reduces the Governor's ability to establish a coordinated delivery system for these services and makes it impossible for the citizens of Alabama to hold the chief executive officer responsible for the performance of state agencies, departments, and programs.

Although only a preliminary study has been possible, it is felt that the following concepts should provide the framework for a major revision in the state's organizational structure. Extensive work and legislative consideration will be required before the proposed modifications can be accomplished. However, long-range redirection of the functions and services included in the

Executive Branch's operations is needed before Alabama's state government can realize the full potential from recommendations contained in this report.

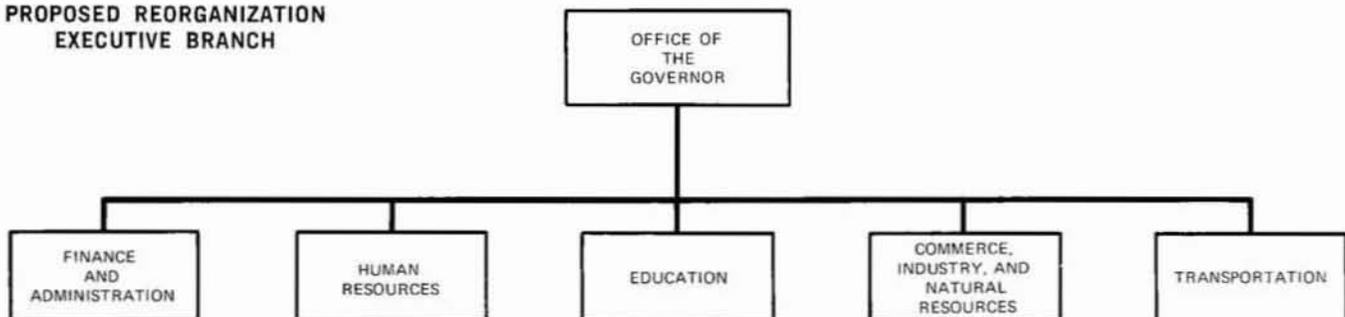
With this in mind, the Governor's Cost Control Survey strongly urges that Alabama's Executive Branch be reorganized to realize the following objectives:

- ▶ Reduce the Governor's span of control to a more realistic level.
- ▶ Centralize policymaking responsibilities and accountability under the direction of the chief executive officer.
- ▶ Realign the operating units into a simplified and logical grouping of functions.
- ▶ Establish coordinated planning and program management systems.

The proposed reorganization, as illustrated by the chart shown below, would include five major units: Finance and Administration; Human Resources; Education; Commerce, Industry, and Natural Resources; and Transportation. The chief executives would be appointed by the Governor. The functional groupings in this reorganization have been suggested for the following reasons:

- ▶ Some spheres of activity now performed by a single agency can be handled more effectively by one or more departments.
- ▶ Operations now duplicated by two or more existing government units should be reassigned to an appropriate agency.

PROPOSED REORGANIZATION EXECUTIVE BRANCH



- ▶ Administrative services provided within single departments can be consolidated into more efficient operations at the major unit level.

Further development of the concepts set forth in this section should be pursued through the creation of an advisory panel. The objective of this group would be to prepare a detailed reorganization plan. The panel should include public as well as private members and should be supported with adequate legal counsel.

Finance and Administration

At present, financial services are provided by several agencies, including one outside the Executive Branch. As a result, there is an overlapping of duties and inefficient fund management. Consolidation of the state's financial functions within a single agency would allow development of sound financial planning and cash management programs. To assist in short- and long-term planning in this area, the addition of a management planning group is recommended. This unit would coordinate the activities of all state agencies and provide professional assistance in developing consolidated, functional program plans.

The impact of federal funds upon state operations and budgets justifies the inclusion of a coordinator for federal programs. The responsibilities of this position would include review and coordination of all applications for and uses of federal funds. The coordinator would provide a link between the state, local governments, and multi-county districts in distributing funds as well as controlling projects as specified by state and federal laws. A suggested functional organization

for the financial area consisting of four major groups is depicted in the chart shown below. These five units are Control, Administrative Services, Treasurer, Budgets, and Revenue.

Combining all statewide administrative functions into one section would provide greater efficiency and economy. It would also result in more consistent policies and improved service delivery to other major entities.

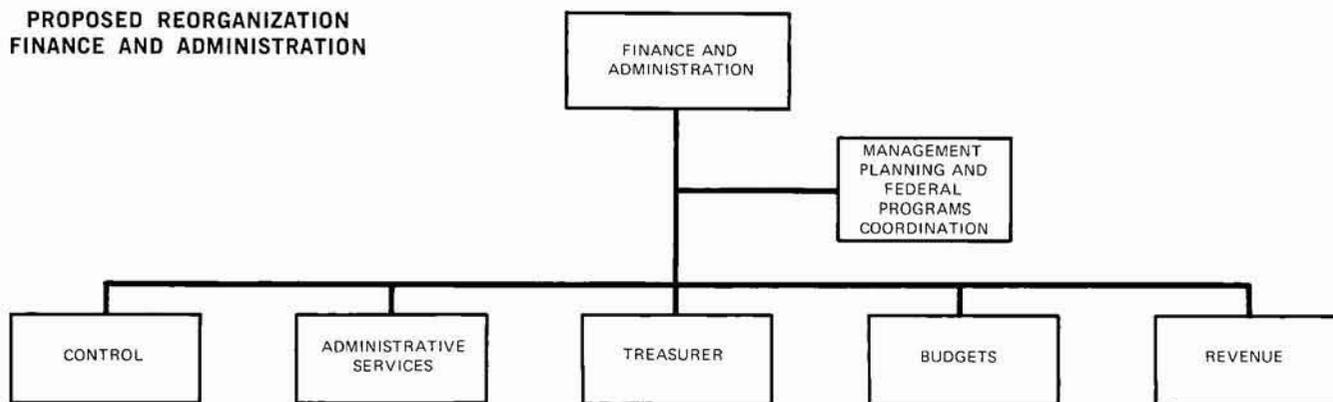
Some of the functions which can be considered statewide, and thus within the scope of the proposed section, would be management services, personnel, data processing, purchasing, property management, insurance, vehicle and aircraft fleet management, food services, records retention, and general services. Recommendations regarding the administration of these functions have been made elsewhere in the report.

Human Resources

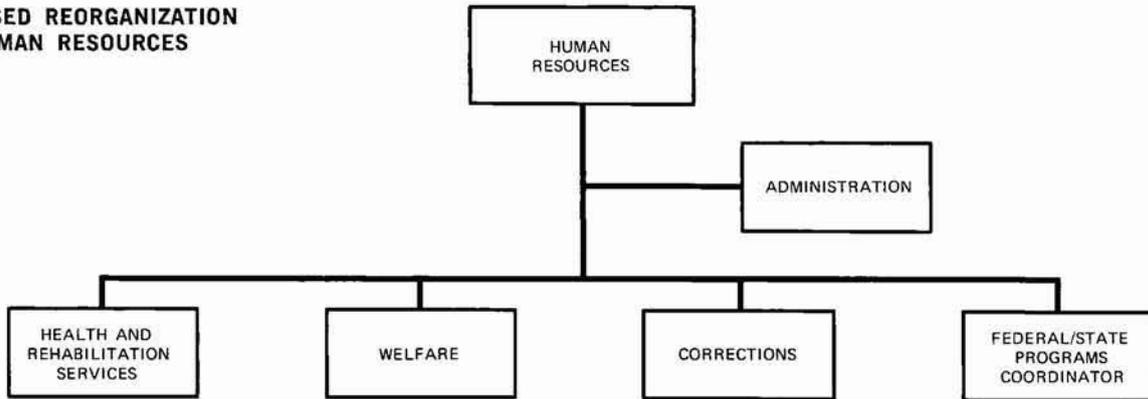
This proposed agency would be responsible for meeting the social and health needs of the state's citizens. At present, much duplication and overlapping exists in service programs and their administration. Therefore, a primary responsibility of this agency would be to provide comprehensive and coordinated services.

A large number of the services provided by various agencies are often directed to the same individuals. Revising the organizational units and delivery systems will provide improved economy and control. An organization structured along program lines is often desirable from a service standpoint, but not always administratively possible. However, the proposed organization — il-

PROPOSED REORGANIZATION FINANCE AND ADMINISTRATION



**PROPOSED REORGANIZATION
HUMAN RESOURCES**



illustrated in the chart shown above — groups service units within program lines without sacrificing administrative efficiency.

Major units include Administration, Welfare, Corrections, and Health and Rehabilitation Services. Health and rehabilitation services would include all physical and mental health programs, functions, and institutions. Youth and adult correctional agencies as well as the pardons and paroles function would be combined into one division. This would permit the development of coordinated criminal rehabilitation plans and programs. The extreme interdependence of state and federal activities in this area requires a specific unit to coordinate administrative activities between the two levels of government.

Education

Changes in instructional requirements and educational programs have resulted in a need for improved coordination of the educational planning activities in Alabama. At present, the division of responsibilities among several agencies

has resulted in considerable duplication and a divergence of policies and practices.

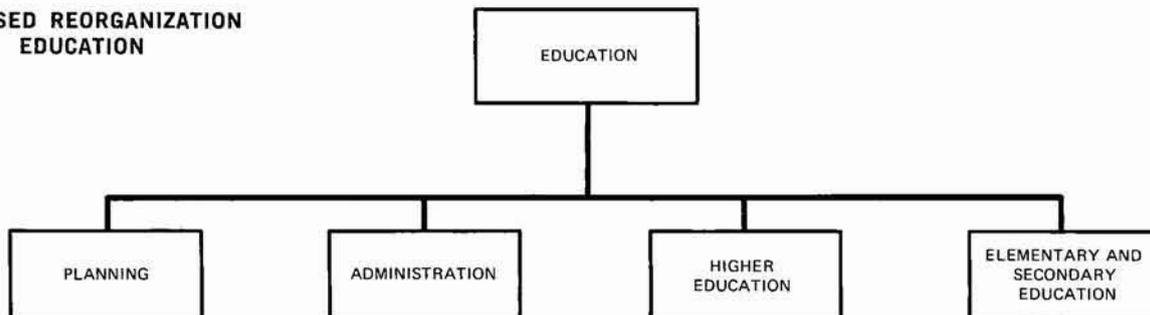
The proposed organization, depicted in the chart shown below, would permit development of a unified educational program in the state, covering students from kindergarten through postgraduate studies. Support services such as facilities and financial planning are organized as part of a planning division which would serve all levels of public education.

Other activities — transportation, personnel, data processing, accounting, educational television, food services, and the like — would be grouped under administration. Major functions in the instructional area would be structured around similar and related levels of elementary, secondary, and vocational as well as higher education in two separate divisions.

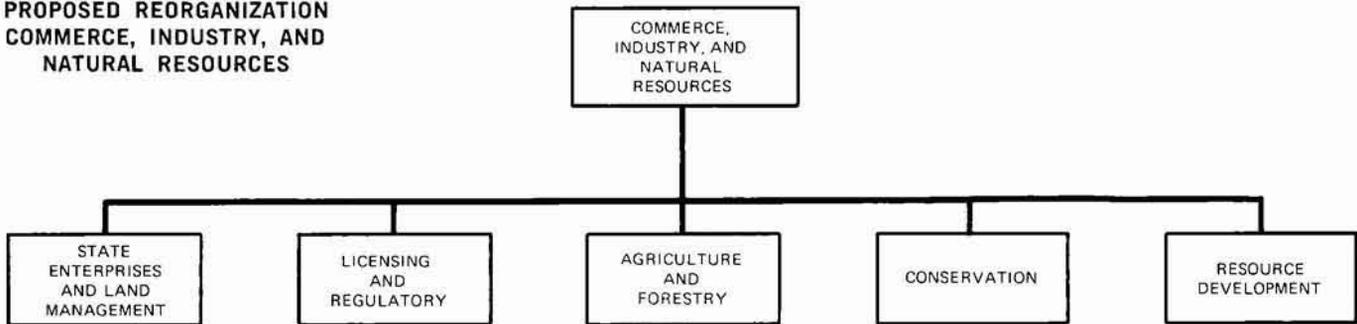
**Commerce, Industry, and
Natural Resources**

The prime objectives for this group include planning and development of the state's commercial,

**PROPOSED REORGANIZATION
EDUCATION**



**PROPOSED REORGANIZATION
COMMERCE, INDUSTRY, AND
NATURAL RESOURCES**



industrial, and natural resources. The proposed agency would bring together a myriad of departments and commissions which presently suffer from conflicting objectives.

These operations should be organized as illustrated in the above chart. Proposed units include Divisions of State Enterprises and Land Management, Licensing and Regulatory, Agriculture and Forestry, Conservation, and Resource Development. The latter would have several functions. Among these functions would be the Geological Survey, the Mineral Resources Development Committee, Parks and Tourism, Industrial Promotion, and Planning on a statewide basis.

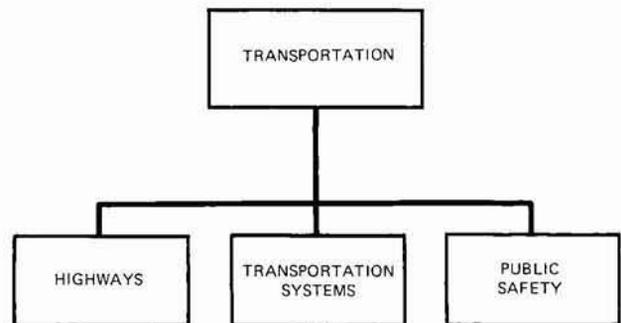
Transportation

A proposed transportation organization is depicted in the chart to the right. Responsibilities for this group would include all aspects of transportation system planning and development.

The principal division would be Highways. Other elements to be included within the transportation group are waterway systems, mass transit systems, urban highway development, and air transportation. The Public Safety Division would

administer activities relating to the protection of the state's citizens. Its functions would consist of traffic control, criminal investigation, safety coordination, civil defense, and driver and vehicle licensing.

**PROPOSED REORGANIZATION
TRANSPORTATION**



The broad scope of this agency's responsibilities results from the need to develop comprehensive transportation plans and systems. In examining the problems, it was felt that interrelated solutions would provide the most practical, economical approaches and best serve the needs of the state.



THE GOVERNOR'S COST CONTROL SURVEY

SECTION IV

**Digest of
Recommendations**

Digest of Recommendations

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
Office of the Governor			
1. Increase the budget of the Office of the Governor.	Executive		
2. Establish clearly the duties and responsibilities of each staff member.	Executive		
3. Assign responsibility for maintaining liaison with a group of agencies, commissions, and boards to each staff member.	Executive		
4. Conduct staff meetings on a regularly scheduled basis.	Executive		
5. Provide an operating procedures manual for the office staff.	Executive		
6. Improve procedures in the Office of the Governor.	Executive		
7. Prepare an annual report to the people of Alabama.	Executive		
8. Establish guidelines for preparation of agency annual reports.	Executive		
9. Require a written listing of objectives from each staff assistant and department head.	Executive		
State Auditor			
1. Raise the minimum value of fixed assets reported to the Property Control Section to \$100.	Legislative		
2. Transfer the Property Control Section to the Department of Finance as a division reporting to the department's director.	Legislative		
3. Reduce the State Auditor's staff.	Executive		
Secretary of State			
1. Eliminate the loss incurred by publishing the Alabama Credit Transaction Report.	Executive	Annual Income	\$ 3,200
2. Raise the fee for filing financial statements under the Uniform Commercial Code.	Legislative	Annual Income	\$ 10,500
3. Increase the fee for Service of Process.	Legislative	Annual Income	\$ 10,000
4. Increase the domestic filing fee.	Legislative	Annual Income	\$ 13,500
State Treasurer			
1. Initiate a more efficient cash flow management system.	Legislative	Annual Income	\$1.2-million

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
2. Employ cash-flow forecasting and hire an investment specialist to maximize state investment yields.	Legislative	Annual Income Annual Cost	\$800,000 \$ 20,000
3. Change the coupon format for bond issues.	Executive	Annual Saving Annual Income	\$ 40,000 \$100,000
4. Maintain control of all state trust funds with the State Treasurer.	Legislative		
5. Authorize the State Treasurer to exert minimum accounting control over the Health Study Commission and the State Safety Coordinating Committee.	Legislative	Annual Income	\$ 2,000
6. Change the qualification requirements for state depositories and extend F.D.I.C. powers to insure public fund deposits 100%.	Federal	Annual Saving	\$ 10,000

Attorney General

1. Publish formal opinions annually and consider eliminating bond compilations.	Legislative	Annual Saving	\$ 1,500
2. Implement the recommendations made in the 1971 study of this office.	Executive		
3. Microfilm inactive files and install a central file system.	Executive	Annual Saving Annual Cost	\$ 5,400 \$ 5,000
4. Provide additional office space.	Executive	Annual Saving Annual Cost	\$ 27,000 \$ 16,000
5. Automate a records retention and retrieval system.	Executive		

Public Service Commission

1. Study and update rules and regulations.	Executive	One-time Cost	\$ 25,000
2. Return the chief of the Bureau of Utilities to his duties or hire a replacement.	Executive		
3. Increase the price of vehicle stamps.	Executive	Annual Income	\$250,000
4. Transfer the duty of motor carrier inspections to the State Highway Patrol.	Executive	Annual Saving	\$ 21,500

Department of Finance

Director's Office

1. Prepare a consolidated statewide cost allocation plan.	Executive	Annual Saving One-time Cost	\$1.5-million \$ 30,000
2. Fill the position of office supervisor.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
3. Improve communications between the Department of Finance and other state agencies regarding fiscal practices and financial reporting methods.	Executive		

Division of the Budget

4. Increase the division's staff.	Executive	Annual Cost	\$ 73,000
5. Provide an adequate working area for the expanded staff.	Executive	Annual Saving	\$ 7,500
6. Change the fiscal year for the state.	Constitutional	Annual Saving	\$250,000
7. Expand and improve the budget process.	Executive		
8. Prepare the capital expenditure budget as a six-year, long-range program with specific priorities and objectives.	Legislative		
9. Review the present fund structure.	Executive		
10. Integrate division requirements suitable for data processing techniques into any plans for computer development.	Executive		
11. Eliminate the bookkeeping function for the Building Commission from the division.	Executive		

Division of Control and Accounts

12. Improve financial reporting practices.	Legislative		
13. Develop a new chart of accounts.	Executive	One-time Cost	\$ 35,000
14. Update the fiscal procedures manual.	Executive	One-time Cost	\$ 3,000
15. Develop a procedures manual for the Division of Control and Accounts.	Executive		
16. Prepare an accounting manual and revise present accounting forms.	Executive	Annual Cost	\$ 17,000
17. Discontinue paying F.I.C.A. taxes on sick pay for state employees.	Executive	Annual Saving	\$240,000
18. Combine invoices and statements to one vendor on a single warrant when feasible and mail warrants from the Division of Control and Accounts.	Executive	Annual Saving	\$ 10,000
		Annual Cost	\$ 11,400
		One-time Cost	\$ 6,000
19. Install a statewide management information system which includes cost accounting and performance reporting.	Legislative	Annual Saving	\$120,000
		One-time Cost	\$500,000
20. Eliminate excessive invoice audits of agencies and departments which can perform their own.	Legislative	Annual Saving	\$ 23,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
21. Develop, program, and implement an integrated, mechanized state payroll system.	Executive	Annual Saving Annual Cost One-time Cost	\$ 90,000 \$ 12,000 \$ 6,400
22. Prepare short- and long-range plans to expand computer services within the Department of Finance and related areas.	Executive		
23. Develop, program, and implement warrant reconciliations for the computer system.	Executive	Annual Saving One-time Cost	\$ 37,900 \$ 1,200
24. Implement security measures in the computer room.	Executive		
25. Provide programmers with an adequate work area.	Executive	Annual Saving Annual Cost	\$ 6,100 \$ 500
26. Provide training for two programmers in advanced computer techniques.	Executive		
27. Develop and enforce standards for procedures and documentation of all present and future applications.	Executive		

Legal Division

28. Obtain fireproof filing cabinets with locks.	Executive	One-time Cost	\$ 2,000
29. Centralize accounting records for the authorities within the Division of Control and Accounts.	Executive		

State Insurance Fund

30. Assign specific geographic areas to field men for inspections.	Executive	Annual Saving	\$ 12,200
31. Establish a \$250 deductible for insurance coverage.	Executive	Annual Saving	\$ 32,000
32. Enforce the state law requiring government properties be insured for no less than 75% of their replacement value.	Executive		
33. Eliminate the fund's authority to invest in tax-free bonds.	Legislative		

Division of Purchases and Stores

34. Restructure the current statewide purchasing function.	Legislative	Annual Saving	\$6-million
35. Improve the physical facilities for purchasing personnel at the capitol complex.	Executive	Annual Saving	\$ 20,400
36. Reassess the operating effectiveness of division personnel in the capitol complex and establish individual and department goals and objectives.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
37. Establish a statewide Specifications, Standardization, and Value Analysis Section.	Executive		
38. Collect purchasing information regarding data processing systems on a statewide basis.	Executive	Annual Saving Annual Cost One-time Cost	\$400,000 \$ 10,600 \$ 12,900
39. Standardize the forms used in the purchasing function.	Executive		
40. Prepare a uniform purchasing policy and procedures manual for use at all locations.	Executive		
41. Eliminate negotiations after bidding.	Legislative		
42. Establish signing authority levels for purchase orders and contracts and shorten the route for requisitions and purchase orders.	Executive		
43. Seek relief from notarization of purchasing documents.	Legislative		
44. Activate and install a uniform records retention program.	Executive		
45. Institute an automatic expediting system for purchase order follow-ups.	Executive		
46. Hold staff meetings for division personnel and statewide meetings for other purchasing location employees.	Executive		
47. Increase agency visits by the purchasing personnel.	Executive		
48. Require purchasing personnel to make more vendor visits.	Executive		
49. Establish vendor specifications and update the statewide vendor lists accordingly.	Executive	Annual Saving	\$600,000
50. Revise bid limitations, allow telephone bids, and raise dollar limits on placement of emergency orders.	Legislative		
51. Expedite payment of vendor invoices.	Executive		
52. Simplify the local disbursement, emergency, and confirming order systems.	Executive		
53. Increase the use of the federal General Services Administration (GSA) as a supplier.	Executive	Annual Saving	\$800,000
54. Establish a formal liaison system with counties and municipalities.	Legislative		
55. Require the Attorney General to investigate the benefits of having Alabama join the 15 other states taking court action against car manufacturers.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
Division of Service			
56. Reorganize the Division of Service.	Executive	Annual Saving Annual Cost	\$254,000 \$ 50,000
57. Restructure the central mail and supply room operation.	Executive	Annual Saving	\$ 36,600
58. Restructure the Capitol Patrol.	Executive	Annual Saving One-time Cost	\$ 52,300 \$ 1,000
59. Eliminate the hostess from all buildings except the capitol.	Executive	Annual Saving	\$ 20,600
60. Establish a methods and procedures group in the Division of Service.	Executive	Annual Saving Annual Cost	\$1.5-million \$ 65,000
61. Adopt modern accounting methods.	Executive	Annual Saving	\$ 27,400
62. Permit trade-in sales of scientific and sole-source equipment.	Legislative	Annual Saving	\$ 25,000
63. Revise surplus sales procedures.	Executive	Annual Income Annual Cost	\$135,000 \$ 50,000
64. Construct a multilevel parking area at the capitol complex.	Legislative	Annual Income Annual Cost	\$120,000 \$128,000

Personnel Department

1. Realign the scope, functions, and objectives of the Personnel Department and modify the Merit System Law.	Legislative		
2. Place all state employees under the functional control of the Personnel Department.	Legislative		
3. Establish a position of professional recruiter in the department.	Executive	Annual Cost	\$ 30,000
4. Develop a field function in the department.	Executive		
5. Discontinue testing as the primary means of screening applicants for state employment.	Executive	Annual Saving	\$ 28,000
6. Revise the limitation on applicants made available to fill state vacancies.	Legislative	Annual Saving	\$ 5,100
7. Discontinue the practice of giving excessive employment preference to veterans over other qualified citizens.	Legislative		
8. Improve the method for establishing job classifications and initiate a standard job evaluation plan.	Executive		
9. Establish a formal complaint system.	Executive		
10. Establish and utilize a State Manpower Planning Committee.	Executive	Annual Saving	\$3-million

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
11. Institute a statewide manpower development program.	Executive		
12. Establish and enforce performance standards for state employees.	Executive		
13. Eliminate the practice of manually certifying the state payroll by name.	Executive	Annual Saving	\$ 10,100
14. Eliminate payroll deductions for personal insurance and forbid soliciting during office hours.	Executive	Annual Saving	\$ 10,000
15. Restructure the department's recordkeeping system.	Executive		
16. Discontinue the unit records operation in the Personnel Department and program the data processing function for use on existing computer equipment.	Executive	Annual Saving Annual Cost	\$ 55,000 \$ 3,400
17. Cease publishing names and addresses of state employees annually in a newspaper.	Legislative	Annual Saving	\$ 2,100
18. Make retirement at age 65 mandatory for state employees.	Legislative	Annual Saving	\$1.5-million
19. Extend the waiting period for annual leave eligibility to six months.	Legislative	Annual Saving	\$527,000
20. Discontinue the practice of opening the state employees' hospitalization plan to competitive bids each year.	Executive	Annual Saving	\$ 15,000

Department of Examiners of Public Accounts

1. Conduct an independent audit of the Department of Examiners of Public Accounts.	Executive	One-time Cost	\$ 25,000
2. Initiate a program to review and evaluate existing accounting and reporting systems.	Executive		
3. Use historical data to develop time budgets for audits.	Executive		
4. Revise the content of the audit program manuals.	Executive	One-time Cost	\$ 2,000
5. Continue the systematic increase in the field audit staff.	Executive		
6. Include an analysis of internal control procedures and operating techniques in the audit report and reduce the number of detailed financial statements.	Executive		
7. Include a review of departmental utility invoices in audit report.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
8. Give certain governing boards the option of being audited annually by either the Department of Examiners of Public Accounts or independent public accounting firms.	Legislative		
9. Reduce the cost of audit reports by using internal equipment for imprinting and purchasing equipment to be used for punching and collating.	Executive	Annual Saving One-time Cost	\$ 11,200 \$ 1,500
10. Consider conducting annual staff meetings at the regional level.	Executive		
11. Obtain necessary job description revisions from the Personnel Department.	Executive		
12. Record the department's equipment inventory on punched cards.	Executive		

Department of Revenue

1. Provide additional space for the Department of Revenue.	Executive	Annual Saving Annual Cost	\$289,100 \$ 49,000
2. Permit the department's field employees to serve papers in cases involving delinquent taxes.	Legislative		
3. Use lower classification employees to screen income tax returns and refer only questionable ones to examiners.	Executive	Annual Income Annual Cost	\$814,000 \$ 70,000
4. Dispose of confidential papers by shredding and baling.	Executive		
5. Increase the size of the out-of-state audit section.	Executive	Annual Income Annual Cost	\$2.74-million \$638,000
6. Issue motor vehicle tags to government units every three years.	Executive	Annual Saving	\$ 11,000
7. Increase the cost of special and replacement tags to \$3.	Legislative	Annual Income	\$ 60,000
8. Adopt a sequential numbering system for tags.	Executive	Annual Saving	\$ 80,000
9. Utilize the State Highway Patrol to enforce truck and other motor vehicle license tag laws.	Executive	Annual Income	\$2-million
10. Sell special tags to individuals for automobile identification.	Executive	Annual Income	\$250,000
11. Reduce commissions paid to businesses which collect sales and use taxes.	Legislative	Annual Saving	\$2.5-million
12. Increase the penalty for delinquent sales tax payments to cover collection costs.	Legislative	Annual Income	\$ 57,600

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
13. Require a bond be secured by firms which are not self-insured before they are given a sales tax account number.	Legislative	Annual Income	\$300,000
14. Reduce the commission paid to tobacco wholesalers and discontinue stamping all items except cigarettes.	Legislative	Annual Saving	\$2.4-million
15. Require interstate firms with large investments and operations in Alabama to pay a franchise tax.	Executive	Annual Income	\$1-million
16. Require nondomestic firms using facilities financed by municipal industrial bonds to include the value of the facilities in establishing franchise tax bases.	Executive	Annual Income	\$1-million
17. Increase the charge for a certificate of good standing to \$5.	Executive	Annual Income	\$ 2,500
18. Discontinue the issuance of annual corporation permit fee certificates.	Legislative	Annual Saving	\$ 20,000

Building Commission

1. Realign the technical staff.	Executive	Annual Saving Annual Cost	\$ 55,700 \$ 41,100
2. Change the policy of paying state funds first on matching fund projects.	Executive	Annual Income	\$266,700
3. Bring all architectural and engineering activities dealing with building planning and inspection under the direction of the Building Commission.	Legislative		

Building Authorities

1. Take steps to have Moody's raise the rating of Alabama state bonds.	Executive	Annual Saving	\$100,000
2. Transfer the responsibility for timely investment of bond proceeds to Alabama's State Treasurer.	Executive	Annual Income	\$166,700
3. Adopt the use of an encumbrance system for all authorities.	Executive		

Bureau of Publicity and Information

1. Change the bureau's name to the Alabama Tourist Bureau.	Legislative		
2. Transfer publicity and information functions to the Alabama Development Office.	Executive		
3. Assign members of both legislative houses to the bureau's advisory board.	Legislative		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
4. Discontinue the financing of special promotions which no longer need support.	Legislative	Annual Saving	\$ 46,000
5. Operate the bureau from a single fund.	Legislative		

Alabama Development Office

1. Emphasize planning programs leading to state government reorganizations and program budgeting.	Executive		
2. Expand the planning reference service.	Executive		
3. Establish a statewide group of volunteer speakers.	Executive		
4. Hire a specialist in federal legislation and liaison.	Executive		

Retirement Systems

1. Require that legislative proposals affecting the retirement funds be accompanied by actuarial estimates on all of the state's future contributions.	Legislative		
2. Eliminate the fund's authority to invest in tax-free bonds.	Legislative		
3. Sell municipal bonds and reinvest in corporate bonds.	Executive	Annual Income	\$ 25,900
4. Negotiate a lower actuarial charge based on retirement participants.	Executive	Annual Saving	\$ 5,000
5. Reduce the number of common stock issues and increase the percentage of common stocks held.	Legislative		
6. Change the present investment management procedures.	Legislative	Annual Saving	\$5.7-million

Department of Insurance

1. Reorganize the department to improve lines of authority.	Executive		
2. Improve the auditing procedures now used by the Department of Insurance.	Executive		
3. Determine the feasibility of self insurance for employee fidelity bonds.	Executive		
4. Collect the premium tax from insurance companies operating in Alabama on a quarterly basis.	Legislative	Annual Income	\$180,000
5. Impose penalties on insurance companies doing business in Alabama for late report filing and delinquent tax or fee payments.	Legislative	Annual Income	\$ 5,000

RECOMMENDATIONS

ACTION
REQUIREDSAVINGS,
INCOME OR COSTESTIMATED
AMOUNT

Department of Labor

- | | | | |
|---|-------------|------------------------------|------------------------|
| 1. Merge the Department of Labor into the Department of Industrial Relations. | Legislative | Annual Saving
Annual Cost | \$139,000
\$ 43,000 |
|---|-------------|------------------------------|------------------------|

Department of Industrial Relations

- | | | | |
|--|-----------|--|--|
| 1. Combine into one division the inspection duties of the Child Labor, Safety and Inspection, and Workmen's Compensation Divisions with those of the Department of Labor dealing with the Williams-Steiger Occupational Safety and Health Act of 1970. | Executive | | |
| 2. Provide a stub with the unemployment compensation check. | Executive | | |
| 3. Initiate an occupational safety program for state employees as a responsibility of the Department of Industrial Relations. | Executive | | |

Peace Commission

- | | | | |
|---|-------------|---------------|-----------|
| 1. Abolish the Peace Commission and delegate its duties to the Department of Public Safety. | Legislative | Annual Saving | \$ 54,200 |
|---|-------------|---------------|-----------|

Alcoholic Beverage Control Board

- | | | | |
|---|-------------|---------------|----------------|
| 1. Increase the annual license fee for a retail beer outlet. | Legislative | Annual Income | \$303,800 |
| 2. Transfer the board's plane to the proposed aircraft pool. | Executive | | |
| 3. Develop an accounting procedures manual. | Executive | | |
| 4. Revise general ledgers to improve cash receipts reporting and better categorize income and liability accounts. | Executive | | |
| 5. Negotiate cash discounts with distillers. | Legislative | Annual Income | \$1.24-million |
| 6. Review the costing and markup policy. | Executive | | |
| 7. Study alternate methods for distributing wine. | Executive | | |
| 8. Design a more meaningful monthly operating statement for the state stores. | Executive | | |
| 9. Revise the salary schedules used for store personnel. | Executive | | |
| 10. Remove county residency requirements for store employees. | Legislative | | |
| 11. Establish a store classification system. | Executive | | |

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
12. Develop a store staffing guide for all stores.	Executive	Annual Saving	\$640,000
13. Reassign the Merchandising Division as an operations management group.	Executive		
14. Reduce the number of brands listed.	Executive	Annual Saving Annual Income	\$ 50,000 \$ 40,000
15. Determine the most effective method of transporting alcoholic beverages from distilleries to the ABC Board's warehouse.	Executive	Annual Saving	\$ 58,500
16. Implement a formal stocking policy.	Executive		
17. Improve inventory layout in stores.	Executive	Annual Saving	\$213,000
18. Establish a lower inventory level.	Executive	Annual Income	\$150,000
19. Rearrange the warehouse layout.	Executive		
20. Relocate the warehouse operation to the Birmingham area.	Executive	Annual Saving	\$200,000
21. Eliminate the storage of supplies in the central warehouse.	Executive		
22. Reduce warehouse staff to an efficient, economical level.	Executive	Annual Saving	\$214,900
23. Limit wholesale sales to specific days and hours.	Executive	Annual Saving	\$150,000
24. Improve present scheduling and resupply procedures.	Executive	Annual Saving	\$ 18,000
25. Discontinue operations of competitive stores.	Executive	Annual Saving	\$1.14-million
26. Discontinue operating stores with poor performance records.	Executive	Annual Saving	\$281,500
27. Establish an agency system to replace low-volume stores.	Legislative	Annual Saving Annual Cost	\$1-million \$300,000
28. Convert remaining stores to self service.	Executive	Annual Saving Annual Income One-time Cost	\$2.4-million \$780,000 \$640,000

Department of Veterans Affairs

1. Consolidate and eventually phase out local veterans' offices.	Executive		
2. Eliminate the headquarters' claim files.	Executive	Annual Saving	\$ 23,500
3. Discontinue contracts with veterans' organizations for claim presentation.	Executive	Annual Saving	\$ 27,700

Military Department

1. Establish a policy regarding rental of armory facilities.	Executive	Annual Income	\$ 50,000
--	-----------	---------------	-----------

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
2. Change the budget format for the Armory Commission.	Executive		
3. Audit utility bills for overcharges.	Executive	Annual Saving	\$ 3,000
4. Raise the personal property inventory limit to \$25.	Legislative		

Board of Corrections

1. Eliminate the contingency funding aspect of the biennial budget and provide an adequate annual appropriation for the board.	Legislative		
2. Establish a Prison Industries Division in the Board of Corrections.	Executive	Annual Income	\$2-million
3. Establish a long-range planning program.	Executive		
4. Review factors contributing to the excessive turnover of correctional officers.	Executive	Annual Cost	\$492,000
5. Establish records on government commodities received by each institution.	Executive		
6. Qualify Atmore and Holman Prisons for U.S.D.A. food commodities.	Executive	Annual Saving	\$ 19,000
7. Bring the food service facilities at Draper, Tutwiler, and Atmore up to at least minimum standards of sanitation.	Executive	One-time Cost	\$ 30,000
8. Improve the internal budgeting, accounting, and reporting procedures for farm crops.	Executive		
9. Institute modern farming techniques.	Executive	Annual Income Annual Cost	\$250,000 \$ 25,000
10. Set up a continuing maintenance program for all equipment and facilities.	Executive		
11. Provide sufficient cleaning materials to maintain minimum sanitary standards.	Executive		
12. Make monthly sanitation inspections of all state facilities.	Legislative		
13. Institute a system whereby surplus equipment can be sold as needed and monies reinvested in required materials.	Legislative		
14. Encourage lawmakers to become personally acquainted with institutional needs before they propose legislation affecting them.	Legislative		

Juvenile Correctional Schools

1. Create a Youth Corrections Board to replace the three separate school boards.	Legislative	Annual Saving	\$ 71,000
--	-------------	---------------	-----------

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
2. Discontinue the dairy herd operation at the Alabama Boys Industrial School.	Executive	Annual Saving Annual Income One-time Income	\$ 1,100 \$120,000 \$ 14,000
3. Discontinue storage of food for the Alabama Boys Industrial School in commercial facilities.	Executive	Annual Saving	\$ 1,500
4. Change the lock system at the Alabama Training School for Girls.	Executive	One-time Cost	\$ 4,000

Board of Pardons and Paroles

1. Change the number and manning level of the field offices.	Executive		
2. Increase the number of probation/parole supervisors to 126.	Legislative	Annual Saving Annual Cost	\$800,000 \$535,000

Civil Defense Department

1. Eliminate the current position of confidential secretary.	Executive	Annual Saving	\$ 15,900
2. Combine the positions of field auditor and accountant in the Administrative Section.	Executive	Annual Saving	\$ 11,400

Department of Public Safety

1. Adopt an appropriate fee schedule for processing drivers' license applications.	Executive	Annual Income	\$382,200
2. Use technicians rather than troopers to administer drivers' license examinations.	Executive	Annual Saving	\$265,500
3. Change the procedure for drivers' license renewals.	Executive	Annual Saving Annual Income	\$ 63,600 \$210,400
4. Furnish the Drivers License Examination Unit with small, economy class cars.	Executive	Annual Saving One-time Saving	\$ 43,500 \$ 62,000
5. Reorganize the criminal investigation unit of the department's Investigative and Identification Division.	Executive	Annual Saving	\$ 27,100
6. Transfer all narcotics and organized crime investigations to the Investigative and Identification Division.	Executive	Annual Saving	\$ 19,200
7. Furnish the Criminal Investigation Unit with small, economy class cars.	Executive	Annual Saving One-time Saving	\$ 18,000 \$ 25,700
8. Increase the fee for estrays.	Legislative	Annual Income	\$ 4,500
9. Establish a motor vehicle title law.	Legislative		

RECOMMENDATIONS

ACTION
REQUIREDSAVINGS,
INCOME OR COSTESTIMATED
AMOUNT

Banking Department

- | | | | |
|--|-------------|--|--|
| 1. Require banks and savings and loan associations to be audited and certified by a public accounting firm once during each fiscal year. | Legislative | | |
|--|-------------|--|--|

Licensing Boards

- | | | | |
|---|-------------|-----------------|-----------|
| 1. Create a Department of Professional and Occupational Registration. | Legislative | Annual Saving | \$ 59,800 |
| 2. Require licensing boards to remit surplus monies in excess of operating reserve requirements to the general fund. | Legislative | One-time Saving | \$362,100 |
| 3. Cancel plans to construct a building for the State Board of Cosmetology. | Legislative | | |
| 4. Allocate the costs of support services to each of the boards and require them to establish fees at least sufficient to meet these costs. | Legislative | | |

Commission on Higher Education

- | | | | |
|---|-----------|--------------------------------|------------------------|
| 1. Hire a permanent executive director. | Executive | | |
| 2. Eliminate the excessive number of councils proposed to carry out the coordination planning activity. | Executive | Annual Saving | \$ 20,000 |
| 3. Increase space utilization to an optimum level. | Executive | One-time Saving | \$4.5-million |
| 4. Establish cost control procedures and set work standards for building operations and maintenance at all universities and colleges. | Executive | Annual Saving | \$1.5-million |
| 5. Institute a work measurement study of administrative and library personnel at the 12 major institutions of higher education. | Executive | Annual Saving
One-time Cost | \$366,000
\$150,000 |
| 6. Eliminate the unnecessary positions of editor and coordinator. | Executive | Annual Saving | \$ 20,000 |

Auburn University

- | | | | |
|--|-----------|--------------------------------|------------------------|
| 1. Implement the recommendations made by the two self-study reports. | Executive | Annual Saving
One-time Cost | \$500,000
\$ 30,000 |
| 2. Invest part of the cash balances maintained by the university. | Executive | Annual Income | \$125,000 |
| 3. Employ an internal auditor. | Executive | Annual Cost | \$ 15,000 |
| 4. Convert student loan records to computer applications. | Executive | Annual Saving | \$ 10,000 |

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
5. Prepare a computerized inventory of all movable equipment valued at \$25 or more.	Executive		
6. Use the computer center facilities for administrative data processing.	Executive	Annual Saving	\$ 47,400
7. Promote full occupancy of residence halls and operate the Housing Service on a self-sustaining basis.	Executive	Annual Income Annual Cost	\$269,600 \$ 66,000
8. Increase the student application fee.	Executive	Annual Income	\$ 34,500
9. Increase the nonresident undergraduate fee.	Executive	Annual Income	\$800,000
10. Increase the late registration fee.	Executive	Annual Income	\$ 20,000
11. Increase the transcript fee.	Executive	Annual Income	\$ 48,000
12. Increase the charge for processing returned student checks.	Executive	Annual Income	\$ 5,100
13. Institute a student vehicle registration fee.	Executive	Annual Income	\$ 55,000
14. Initiate a program of vehicle control at the university.	Executive	Annual Saving	\$ 75,000
15. Centralize the university's duplicating and printing operations.	Executive		
16. Centralize the university's photographic service activities.	Executive		
17. Study the feasibility of centralizing audio-visual equipment and related teaching aids in a Learning Systems Center.	Executive		
18. Operate the Food Service auxiliaries on a self-sustaining basis.	Executive	Annual Saving	\$108,100

Agricultural Experiment Station System

19. Reevaluate the objectives of the Agricultural Experiment Station System.	Executive	Annual Saving Annual Income	\$400,000 \$ 20,000
--	-----------	--------------------------------	------------------------

Cooperative Extension Service

20. Reassign the Cooperative Extension Service to the Dean of Agriculture.	Executive	Annual Saving	\$500,000
21. Reduce the state appropriation to the Cooperative Extension Service by 25%.	Legislative	Annual Saving	\$800,000

Florence State University

1. Employ an assistant business manager.	Executive	Annual Cost	\$ 10,000
2. Establish a personnel section.	Executive	Annual Saving Annual Cost	\$ 62,200 \$ 10,000
3. Implement a program to achieve full EDP utilization.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
4. Place residence halls and food service facilities on a self-sustaining basis.	Executive	Annual Saving	\$102,500
5. Increase the student application fee.	Executive	Annual Income	\$ 9,000
6. Increase the nonresident tuition fee.	Executive	Annual Income	\$ 51,600
7. Increase the late registration fee.	Executive	Annual Income	\$ 2,200
8. Increase the change-of-course fee.	Executive	Annual Income	\$ 7,500
9. Raise the transcript fee and charge for all transcripts issued.	Executive	Annual Income	\$ 10,500
10. Increase the campus auto registration fee and traffic fine schedule.	Executive	Annual Income	\$ 15,900

Jacksonville State University

1. Establish a personnel function.	Executive	Annual Saving Annual Cost	\$ 72,700 \$ 10,000
2. Renegotiate the lease on Forney Hall.	Executive	Annual Income	\$ 2,500
3. Operate dormitories on a self-sustaining basis.	Executive	Annual Saving	\$390,000
4. Discontinue the extension work begun at Gadsden State Junior College.	Executive	Annual Saving	\$ 50,000
5. Recover bookstore revenue loss.	Executive	Annual Saving	\$ 17,000
6. Institute a computerized cost accounting system.	Executive		
7. Increase the student application fee.	Executive	Annual Income	\$ 16,500
8. Increase the nonresident tuition fee.	Executive	Annual Income	\$180,000
9. Raise the change-of-course fee.	Executive	Annual Income	\$ 23,100
10. Increase the transcript fee and charge for all transcripts.	Executive	Annual Income	\$ 13,000
11. Raise the auto registration fee.	Executive	Annual Income	\$ 15,000

Livingston State University

1. Promote full occupancy of Spieth and Selden Halls.	Executive	Annual Income	\$ 44,000
2. Charge a student activity fee.	Executive	Annual Income	\$ 16,000
3. Charge a fee to cover the cost of the student health center.	Executive	Annual Income	\$ 30,000
4. Downgrade the present computer system.	Executive	Annual Saving	\$ 12,000

Troy State University

1. Place the campus bookstore on a self-supporting basis.	Executive	Annual Saving	\$ 34,000
---	-----------	---------------	-----------

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
2. Reduce overtime work.	Executive	Annual Saving	\$ 20,000
3. Charge a fee for the university year book.	Executive	Annual Income	\$ 25,500
4. Increase the rental fee for post office boxes.	Executive	Annual Income	\$ 8,600

University of Alabama - Birmingham

1. Charge all counties for indigent patients at the university's hospital on the same basis used for Jefferson County.	Executive	Annual Saving	\$1.1-million
2. Institute a manpower study.	Executive		
3. Conduct a work measurement study of the university staff.	Executive	Annual Saving One-time Cost	\$600,000 \$ 25,000
4. Increase the student application fee.	Executive	Annual Income	\$ 25,000
5. Adjust the student health fee to cover program costs.	Executive	Annual Income	\$ 64,000
6. Increase the transcript fee.	Executive	Annual Income	\$ 20,000
7. Implement a control system for the university's photocopy equipment.	Executive	Annual Saving	\$ 26,000
8. Reduce the cost of laundry service for the university's hospitals and clinics.	Executive	Annual Saving One-time Cost	\$271,000 \$650,000

University of Alabama - Huntsville

1. Establish a personnel department.	Executive	Annual Cost	\$ 15,000
2. Use available EDP equipment for administrative and financial work.	Executive		
3. Combine the bookstore operations in a single location and put it on a self-sustaining basis.	Executive	Annual Saving	\$ 6,700
4. Put the cafeteria on a self-sustaining basis.	Executive	Annual Saving	\$ 3,300
5. Increase the student application fee.	Executive	Annual Income	\$ 8,000
6. Increase the transcript fee and apply it to all transcripts issued.	Executive	Annual Income	\$ 7,000
7. Establish a registration fee for automobiles brought on campus.	Executive	Annual Income	\$ 20,000
8. Implement a program of full utilization for the Word Processing Center.	Executive	Annual Saving	\$ 18,000
9. Cancel the plan to purchase student and faculty housing until a detailed feasibility study can be made.	Executive	One-time Saving	\$970,000

University of Alabama - Tuscaloosa

1. Eliminate plans for a food service facility in the new student union building.	Executive	One-time Saving	\$279,000
---	-----------	-----------------	-----------

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
2. Implement a control system for university photocopy equipment.	Executive	Annual Saving	\$ 17,400
3. Increase the student application fee.	Executive	Annual Income	\$ 62,500
4. Raise the out-of-state student fee.	Executive	Annual Income	\$1.08-million
5. Place the bookstore operation on a self-sustaining basis.	Executive	Annual Saving	\$ 14,300
6. Promote full occupancy of student housing facilities and maximum utilization of related food services to eliminate current losses.	Executive	Annual Saving	\$400,000

University of Montevallo

1. Establish an efficient Maintenance Stores Department to improve the inventory control program.	Executive	Annual Saving	\$ 12,500
2. Contract for janitorial services.	Executive	Annual Saving	\$ 10,000
3. Establish a cost accounting system for auxiliary services and set fees which will keep them on a self-sustaining basis.	Executive	Annual Saving	\$105,000
4. Establish a student activities fee.	Executive	Annual Income	\$ 37,000
5. Increase the campus parking fee.	Executive	Annual Income	\$ 6,300
6. Increase rents for faculty housing.	Executive	Annual Income	\$ 2,000
7. Reorganize management of the university golf course.	Executive	Annual Saving Annual Income	\$ 2,600 \$ 6,000
8. Purchase a bus for the use of the athletic team and Music Department.	Executive	Annual Saving One-time Cost	\$ 8,000 \$ 2,000

University of South Alabama

1. Initiate a program to put the Educational Research and Development Center on a self-supporting basis.	Executive	Annual Saving	\$165,400
2. Put the student union on a self-supporting basis.	Executive	Annual Saving	\$127,500
3. Operate the bookstore, dormitory, and cafeteria on a self-sustaining basis.	Executive	Annual Saving	\$190,000
4. Increase the admission fee to \$15.	Executive	Annual Income	\$ 18,000
5. Increase the quarterly registration fee.	Executive	Annual Income	\$ 17,500
6. Increase nonresident tuition fees.	Executive	Annual Income	\$ 69,000
7. Increase the campus auto registration fee and traffic fine schedule and allocate resulting income to the security function.	Executive	Annual Income	\$ 58,100
8. Institute an immediate study of vehicle usage and maintenance.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
9. Dispose of the two boats now owned by the university.	Executive	Annual Saving One-time Income	\$ 28,000 \$ 20,000

Department of Education

1. Reorganize and reduce the number of school districts.	Legislative	Annual Saving	\$706,000
2. Establish a work measurement program for classified positions.	Executive	Annual Saving Annual Cost	\$250,000 \$ 15,000
3. Establish a forms management and publications control section.	Executive	Annual Saving	\$ 50,000
4. Set up a unit in the Graphic Arts Section of the Division of Departmental Services to produce magnetic tape for composition of publication material.	Executive	Annual Saving	\$ 35,000
5. Establish regional school transportation systems under the direction of the State Supervisor of Pupil Transportation.	Executive		
6. Establish an organization within the Department of Education with responsibility for overall educational planning.	Executive		
7. Remove the requirement that department purchase requisitions and vouchers have the certification of the State Superintendent of Education regarding correctness and legality.	Legislative	Annual Saving	\$ 10,000
8. Repair textbooks at a bindery and enforce fines for loss, abuse, and damage.	Executive	Annual Saving Annual Cost	\$386,000 \$ 30,000
9. Reorganize present department accounting procedures.	Executive		
10. Modify the method of disbursing and accounting for vocational education funds.	Executive	Annual Saving	\$ 10,000
11. Invest available cash controlled by various school boards in short-term notes.	Executive		
12. Automate voucher information.	Executive	Annual Saving	\$ 15,000
13. Transfer duties of the school architect to the Building Commission.	Executive	Annual Saving	\$ 50,000
14. Discontinue grants from the Alabama Special Trust Fund to various private educational institutions.	Legislative	Annual Saving	\$490,000
15. Establish a system to coordinate visits from the Department of Education.	Executive	Annual Saving	\$ 36,000
16. Modify the method for employing vocational education teachers.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
17. Appoint a purchasing coordinator for food service operations in elementary and secondary schools.	Executive	Annual Saving Annual Cost	\$ 87,000 \$ 25,000
18. Establish a Division of Post-Secondary Education to include junior colleges and trade schools and phase out the Division of Vocational Education.	Executive	Annual Saving	\$350,000
19. Empower the county boards of education to select, appoint, and supervise county school superintendents.	Legislative		
20. Revise teacher certification procedures.	Legislative	Annual Saving Annual Income	\$ 20,000 \$109,000

Junior Colleges and Trade Schools

21. Reorganize the junior colleges and technical institutions.	Executive	Annual Saving	\$1.25-million
22. Update course policies in state vocational schools.	Executive		
23. Adopt the new chart of accounts.	Executive		
24. Establish standards for reporting financial data.	Executive		
25. Establish a purchasing authority in each of the proposed four state regions to do the buying for schools in their respective areas.	Executive	Annual Saving	\$104,400
26. Establish cost control procedures and set work standards for building operation and maintenance.	Executive	Annual Saving	\$385,000
27. Allocate capital funds systematically on a need basis.	Executive	Annual Saving	\$1.5-million
28. Increase tuition charges at junior colleges and trade schools and put the trade schools on a quarterly payment system.	Executive	Annual Income	\$1.82-million
29. Provide a consistent method of establishing student enrollment.	Executive		
30. Eliminate the free transportation program.	Executive	Annual Saving	\$1-million
31. Place all auxiliary enterprises on a self-sustaining basis.	Executive	Annual Saving Annual Income	\$150,000 \$ 90,000

Alabama A & M University

1. Institute a computerized cost accounting system.	Executive		
2. Automate the inventory system.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
3. Increase the student application fee.	Executive	Annual Income	\$ 23,000
4. Increase the out-of-state student fee.	Executive	Annual Income	\$ 95,000
5. Increase the change-of-course fee.	Executive	Annual Income	\$ 14,400
6. Increase the transcript fee.	Executive	Annual Income	\$ 2,600
7. Institute a fee for campus parking permits.	Executive	Annual Income	\$ 4,100

Alabama State University

1. Operate the faculty dining hall, bookstore, and snack bar on a self-sustaining basis.	Executive	Annual Saving	\$ 45,000
2. Operate residence halls on a self-sustaining basis.	Executive	Annual Saving	\$ 48,800
3. Implement the proposed computer system as soon as possible.	Executive		
4. Reorganize the university's Campus Security Department.	Executive	Annual Saving	\$ 12,000
5. Increase the student application fee.	Executive	Annual Income	\$ 5,000
6. Establish a student registration fee of \$4 per quarter.	Executive	Annual Income	\$ 10,000
7. Increase the tuition charge and separate the fees paid to the university for athletic and student activities.	Executive	Annual Income	\$275,000
8. Increase the health center fee charged to university students.	Executive	Annual Income	\$ 30,000
9. Adjust the student activity fee to recover the total cost of applicable services provided to them.	Executive	Annual Income	\$ 20,000

Institute for the Deaf and Blind

1. Require state departments and agencies to comply with purchasing legislation regarding the Institute for the Deaf and Blind.	Executive	Annual Saving	\$ 50,000
2. Discontinue the farm operation.	Executive	Annual Saving	\$ 12,000
		Annual Income	\$ 6,000
		One-time Income	\$ 10,000
3. Establish a revolving fund for the institute's working capital.	Legislative	One-time Cost	\$250,000

Educational Television Commission

1. Place broadcasting stations, programming, and in-school use of educational television under centralized management authority.	Legislative		
2. Negotiate statewide contracts for purchases of broadcasting equipment, television sets, recorders, video tapes, tubes, and other electronic components.	Executive	Annual Saving	\$ 15,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
Public Library Service			
1. Improve the current physical layout.	Executive		
2. Institute a study to determine the feasibility of placing book circulation and inventory information on a computer.	Executive	One-time Cost	\$ 10,000
Education Study Commission			
1. Restrict the scope of the Education Study Commission to elementary and secondary education.	Executive		
Department of Public Health			
1. Reorganize the Department of Public Health.	Executive		
2. Establish more rigid budget procedures.	Executive		
3. Change accounting procedures to provide detailed operating costs for each bureau or division.	Executive		
4. Relocate the data processing functions to the state's data processing center.	Executive	Annual Saving	\$154,000
		Annual Saving	\$154,000 (Federal)
5. Renegotiate insurance contracts.	Executive	Annual Saving	\$198,200
	Executive	Annual Saving	\$702,800 (Federal)
6. Hire an accountant to handle reviews of Medicaid cost reports for nursing homes.	Executive	Annual Saving	\$ 42,000
		Annual Cost	\$ 12,000
7. Eliminate the issuance of Medicaid cards to ineligible recipients.	Executive	Annual Saving	\$604,000
8. Eliminate one clerical position in the Bureau of Maternal and Child Health.	Executive	Annual Saving	\$ 5,200
9. Eliminate the Health Mobilization Division.	Executive	Annual Saving	\$ 14,400
10. Substitute correspondence for travel whenever possible.	Executive	Annual Saving	\$ 1,100
11. Close four branch facilities in the Bureau of Laboratories.	Executive	Annual Saving	\$ 90,000
12. Transfer the environmental health laboratory to the Bureau of Laboratories.	Executive		
13. Eliminate the film librarian in Huntsville.	Executive	Annual Saving	\$ 7,000
14. Increase the fees for licensing and certifying medical facilities.	Executive	Annual Income	\$ 30,000
15. Increase the fee for adoptions, affidavits, and legitimations.	Executive	Annual Income	\$ 45,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
Department of Mental Health			
1. Change the budget format of monthly financial reports to provide more useful information to managers.	Executive		
2. Change the financial reporting systems used by the mental health institutions.	Executive	Annual Cost	\$ 75,000
3. Conduct operational and financial audits of community mental health facilities.	Executive		
4. Install a cost accounting system for auxiliary enterprises.	Executive		
5. Divide the general supplies account into more meaningful categories.	Executive		
6. Increase the minimum value level for the department inventory to \$100.	Legislative	Annual Saving	\$ 8,400
7. Separate development activities from the patient fund area.	Executive		
8. Modify the payroll system.	Executive		
9. Consolidate the four payroll accounts for the hospital facilities and the administrative office.	Executive	Annual Saving	\$ 4,000
10. Consolidate the five accounts payable.	Executive	Annual Saving	\$ 2,100
11. Investigate the feasibility of becoming eligible for additional federal reimbursement for social and rehabilitation services.	Executive	Annual Saving One-time Saving One-time Cost	\$4-million \$6-million \$ 25,000
12. Establish a better system of inventory control at the Bryce Hospital warehouse.	Executive	Annual Saving One-time Income	\$ 25,000 \$125,000
13. Develop an effective personnel scheduling system for each unit and workshift at Bryce Hospital.	Executive	Annual Saving	\$272,000
14. Eliminate the deficit for employee meals at Bryce Hospital.	Executive	Annual Saving	\$269,500
15. Monitor the number of employees eating in the cafeterias at Bryce Hospital.	Executive		
16. Eliminate personal laundry privileges for supervisory and professional personnel at Bryce Hospital.	Executive	Annual Saving	\$ 6,500
17. Change the accounting methods used to determine farm operation profitability at Bryce Hospital.	Executive		
18. Consolidate patient fund accounting at Bryce Hospital.	Executive	Annual Saving	\$ 58,200

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
19. Reorganize the eight geographic catchment units at Bryce Hospital.	Executive	Annual Saving Annual Cost	\$235,000 \$100,000
20. Study the feasibility of certifying areas used for geriatric care as a skilled nursing home to qualify them for federal Medicare funds.	Executive	Annual Saving One-time Cost	\$1.9-million \$ 15,000
21. Eliminate one position in the Personnel Department at Partlow.	Executive	Annual Saving	\$ 11,100
22. Close the employee cafeteria at Partlow State School and Hospital.	Executive	Annual Saving	\$ 19,000
23. Revise disbursement procedures for residents' spending accounts at the Partlow State School and Hospital.	Executive		
24. Raise the cost of employee meals at Searcy Hospital.	Executive	Annual Income	\$ 25,000
25. Close the farm at Searcy Hospital.	Executive	Annual Saving	\$ 64,000
26. Consider offering for lease some 9,550 acres of land holdings of the Department of Mental Health.	Legislative	Annual Income	\$200,000

Department of Pensions and Security

1. Implement the recommendations of the re-organization study.	Executive	Annual Saving Annual Saving Annual Cost Annual Cost	\$ 71,300 \$ 71,300 (Federal) \$ 17,100 \$ 17,100 (Federal)
2. Create a Planning Services Bureau.	Executive	Annual Saving Annual Saving Annual Cost Annual Cost	\$104,500 \$104,500 (Federal) \$ 51,000 \$ 51,000 (Federal)
3. Eliminate typing of expense account forms.	Executive	Annual Saving Annual Saving	\$ 1,200 \$ 1,200 (Federal)
4. Rent a single facility to house Department of Pensions and Security personnel engaged in statewide operations.	Legislative	Annual Saving	\$ 33,000
5. Establish a computer-oriented cost and general accounting system.	Executive	Annual Saving Annual Saving Annual Cost Annual Cost	\$ 30,500 \$ 30,500 (Federal) \$ 3,800 \$ 3,800 (Federal)

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
6. Consolidate preparation of payroll and employee records.	Executive	Annual Saving	\$ 18,900
		Annual Saving	\$ 18,900 (Federal)
		Annual Cost	\$ 2,900
		Annual Cost	\$ 2,900 (Federal)
7. Reduce the overall cost of obtaining statistical information.	Executive	Annual Saving	\$143,600
		Annual Saving	\$143,600 (Federal)
		Annual Cost	\$ 7,700
		Annual Cost	\$ 7,700 (Federal)
8. Increase overpayment recovery activities.	Executive	Annual Saving	\$125,000
		Annual Saving	\$375,000 (Federal)
		Annual Cost	\$ 67,000
		Annual Cost	\$ 67,000 (Federal)
9. Reduce the processing time for updating eligibility files to same-day service.	Executive	Annual Saving	\$ 90,000
		Annual Saving	\$ 90,000 (Federal)
		Annual Cost	\$ 14,000
		Annual Cost	\$ 14,000 (Federal)
		One-time Cost	\$ 1,000
		One-time Cost	\$ 1,000 (Federal)
10. Combine the welfare recipient's warrant and Medicaid identification card into one computerized listing and one mailing.	Executive	Annual Saving	\$115,300
		Annual Saving	\$115,300 (Federal)
		Annual Cost	\$ 9,500
		Annual Cost	\$ 9,500 (Federal)
		One-time Cost	\$ 8,000
		One-time Cost	\$ 8,000 (Federal)
11. Change the individual county case number system to a statewide one.	Executive		
12. Combine the award and family plan forms with eligibility reviews and new applications.	Executive	Annual Saving	\$240,000
		Annual Saving	\$240,000 (Federal)
		Annual Cost	\$ 16,800
		Annual Cost	\$ 16,800 (Federal)

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
13. Eliminate typing of quarterly Aid to Dependent Children reports and other biannual reviews.	Executive	Annual Saving Annual Saving	\$898,000 \$1.5-million (Federal)

Agency for Social Security

1. Invest funds contributed by reporting entities to achieve the maximum return available for the period when they are held prior to payment to the Federal Reserve Bank.	Legislative	Annual Income	\$175,000
2. Computerize the administration system for agency records and funds.	Executive	Annual Saving	\$ 15,000
3. Provide additional telephone capacity to reduce travel expenses and eliminate the need for one field auditor.	Executive	Annual Saving Annual Cost	\$ 20,000 \$ 6,900

Commission on Aging

1. Assign specific duties to the executive assistant or eliminate the position.	Executive		
---	-----------	--	--

Department of Agriculture and Industries

1. Reorganize the department and change its name.	Legislative	Annual Saving Annual Cost	\$226,400 \$ 19,400
2. Centralize additional laboratories in the department's new building complex.	Legislative	Annual Saving Annual Cost	\$126,300 \$ 81,500
3. Recover the cost of the butterfat audit.	Legislative	Annual Saving	\$ 40,100
4. Charge a fee for the barn inspection service.	Legislative	Annual Income	\$ 18,800
5. Reduce the department's printing capability.	Executive	Annual Saving Annual Cost	\$ 8,200 \$ 2,400
6. Relocate the supply room and continue the space plan study.	Executive	Annual Saving One-time Cost	\$ 6,800 \$ 1,000
7. Stagger licensing expiration periods.	Legislative		
8. Remove the Commissioner of Agriculture and Industries from the Board of Appointment of County Voter Registrars.	Legislative		

Farmers' Market Authority

1. Abolish the Farmers' Market Authority and reassign its employees to the Department of Agriculture and Industries.	Legislative	Annual Saving	\$ 5,600
--	-------------	---------------	----------

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
2. Establish an incentive plan to obtain timely repayment of the state's investment in market facilities.	Executive	Annual Income	\$ 31,000
3. Clarify existing statutes.	Legislative		
4. Initiate a market research and long-range planning program to include solicitation of federal funds where available.	Executive	Annual Saving One-time Saving	\$150,000 \$500,000

Agricultural Center Board

1. Abolish the Agricultural Center Board.	Legislative	Annual Saving	\$ 4,500
2. Maintain the Coliseum on a self-supporting basis.	Executive	Annual Saving	\$200,600
3. Reorganize the Coliseum work force.	Executive	Annual Saving	\$ 38,100
4. Increase Coliseum rentals.	Executive	Annual Income	\$ 8,200
5. Increase the revenue from concession leases and the Coliseum parking lot.	Executive	Annual Income	\$ 20,000
6. Use available funds to accelerate retirement of Coliseum bonds.	Legislative	One-time Saving	\$ 51,300
7. Generate revenue from vacant land.	Executive	Annual Income	\$ 21,000

Dairy Commission

1. Reorganize the commission to permit management of its employees by the Commissioner of Agriculture and Industries.	Legislative	One-time Saving	\$ 5,000
2. Reorganize the commission staff.	Executive	Annual Saving	\$ 20,600
3. Place the executive secretary's position under the merit system.	Legislative		
4. Replace the part-time commission attorney with full-time legal counsel.	Legislative	Annual Cost	\$ 3,600
5. Initiate the study on production, distribution, processing, and marketing of milk.	Executive	Annual Saving	\$ 5,000

Department of Conservation and Natural Resources

1. Merge the Accounting and Personnel Sections of the Administrative Division.	Executive	Annual Saving	\$ 85,000
2. Transfer the department's Engineering Section to a proposed centralized Engineering Division of the Building Commission.	Legislative	Annual Saving	\$160,000
3. Transfer the duties of the Information and Education Section to the Bureau of Publicity and Information.	Executive	Annual Saving Annual Cost	\$110,000 \$ 40,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
4. Merge the enforcement personnel in the various divisions into a single unit.	Executive	Annual Saving	\$350,000
5. Put the department's publication on a self-sustaining basis.	Executive	Annual Income	\$ 30,000
6. Adjust license fees to offset the cost of issuance and a portion of the enforcement expenditure.	Legislative	Annual Income	\$ 68,000
7. Change the method of supplying hunting and fishing licenses to agents.	Legislative	Annual Saving Annual Income	\$ 23,500 \$ 12,000
8. Review fees for the use of state parks and their facilities.	Executive	Annual Income	\$167,000
9. Complete state parks under construction before beginning any new projects.	Legislative	One-time Saving	\$1.2-million
10. Increase the budget of the State Lands Division to provide for more effective management of state-owned property.	Legislative		
11. Raise the management fee charged by the State Lands Division to a minimum of 7.5%.	Legislative		
12. Improve revenues from timber contracts.	Executive	Annual Income	\$ 5,000
13. Raise royalties on sand and gravel removed from state lands.	Executive	Annual Income	\$ 30,000
14. Open certain lands to competitive bids on leases for drilling.	Executive	One-time Income	\$8-million
15. Create a Minerals Resource Management Committee.	Legislative		

Forestry Commission

1. Amend the constitution to enforce the special acreage assessment on a statewide basis.	Constitutional	Annual Income Annual Income	\$2-million \$105,000 (Local)
2. Combine the Forest Resource Development and Forest Resource Education Divisions.	Executive	Annual Saving Annual Cost	\$ 61,900 \$ 12,000
3. Raise the price on pine seedlings to cover program costs.	Executive	Annual Income	\$ 85,000
4. Increase the severance tax on timber and timber products.	Legislative	Annual Income	\$787,000
5. Reorganize local fire fighters into multi-county units.	Executive	Annual Cost	\$720,000
6. Provide adequate fire-fighting equipment.	Executive	Annual Cost One-time Cost	\$175,000 \$1.4-million

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
Geological Survey			
1. Reduce the mailings made to announce new publications.	Executive	Annual Saving	\$ 4,500
2. Accelerate the survey and related programs of this agency.	Legislative		
Oil and Gas Board			
1. Increase the fee for drilling permits.	Executive	Annual Income	\$ 9,400
2. Initiate a charge for weekly drilling reports and monthly well production information.	Executive	Annual Saving	\$ 5,000
		Annual Income	\$ 30,000
Soil and Water Conservation Committee			
1. Abolish the committee, reorganize the work force, and reassign the function to the Co-operative Extension Service.	Legislative	Annual Saving	\$ 96,400
		Annual Cost	\$ 1,500
		One-time Cost	\$ 1,000
2. Discontinue state reimbursement of travel and per diem costs of district supervisors.	Legislative	Annual Saving	\$ 31,600
		Annual Cost	\$ 31,600 (Local)
Department of Archives and History			
1. Abolish the State Records Commission and delegate authority for preserving state records to an action-oriented committee.	Legislative		
2. Use existing storage areas for offices when record retention schedules are established.	Executive	Annual Saving	\$ 85,800
3. Abolish the County Records Commission.	Legislative		
4. Combine selected historical commissions.	Legislative	Annual Saving	\$ 40,000
5. Require additional financial participation by local groups cooperating with the Council on Arts and Humanities.	Executive		
6. Sell waste paper generated by the file and record disposal.	Legislative		
Highway Department			
1. Consolidate the line functions reporting to the director.	Executive		
2. Create a Management Science Bureau.	Executive	Annual Saving	\$5.12-million
		Annual Cost	\$120,000
3. Eliminate the abuse of the title of engineer.	Executive		
4. Initiate monthly staff meetings.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
Administration			
5. Upgrade attorney positions in the Bureau of Chief Counsel.	Executive	Annual Cost	\$ 8,100
6. Transfer supervision of right-of-way condemnation proceedings to the Bureau of Chief Counsel.	Executive	Annual Saving	\$737,000
7. Increase the director's flexibility in administering state funds for federally reimbursed projects.	Legislative		
8. Establish a fee schedule for Alabama road permits.	Legislative	Annual Income	\$350,000
9. Reduce the number of employees in the Permit Section by one.	Executive	Annual Saving	\$ 4,300
10. Establish an effective cost control system.	Executive		
11. Modify current payroll procedures.	Executive	Annual Saving	\$ 5,300
12. Eliminate payroll deductions for personal insurance and stop insurance solicitations during working hours.	Executive	Annual Saving	\$ 3,200
13. Limit reporting of detailed costs on automobile equipment to vehicles performing well above or below average.	Executive		
14. Discontinue the visual check of account numbers.	Executive	Annual Saving	\$ 7,500
15. Eliminate one clerk from the Bureau of Accounts and Finances.	Executive	Annual Saving	\$ 7,500
16. Establish strict expense account regulations regarding out-of-state plane versus automobile travel.	Executive		
17. Computerize the vouchers payable register.	Executive	Annual Saving Annual Cost	\$ 19,300 \$ 700
18. Make the systems analyst available on a full-time basis to improve accounting systems and procedures.	Executive	Annual Saving	\$ 9,600
19. Implement the internal audit functions.	Executive		
20. Initiate an administrative education and training program.	Executive	One-time Cost	\$ 1,000
21. Implement an effective field safety program.	Executive	Annual Saving Annual Cost	\$ 53,500 \$ 24,700
22. Install an EDP project accounting and control system.	Executive	Annual Saving One-time Cost	\$ 50,000 \$ 10,000
23. Combine systems analyst personnel in the computer center.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
24. Contract with the computer supplier for extended term provisions on rental.	Executive	Annual Saving	\$ 7,700
25. Expedite the Utah/New Mexico Earthworks System project.	Executive		
26. Provide an educational budget for training personnel in the computer center and certain approved bureaus.	Executive		
27. Eliminate dual supervision at the computer center.	Executive	Annual Saving	\$ 12,600
28. Elevate the computer center to bureau status.	Executive		
29. Reduce the number of data entry operators.	Executive	Annual Saving	\$ 20,200
30. Eliminate the cabinet shop.	Executive	Annual Saving	\$ 15,400
31. Construct a new central repair facility at Montgomery.	Executive	Annual Saving Annual Cost	\$ 41,900 \$ 25,600
32. Provide a conditional appropriation to the Highway Department for matching unanticipated federal funds.	Legislative		

Planning and Programming

33. Establish a cost control program for the Urban Planning and Planning and Programming Bureaus.	Executive		
34. Install an aerial photogrammetry program.	Executive	Annual Saving Annual Cost	\$100,000 \$ 50,000
35. Rename the Bureau of Planning and Programming as Bureau of Planning.	Executive		

Engineering

36. Schedule work on a long-range basis to eliminate unnecessary preparation of highway plans.	Executive	Annual Saving	\$1.9-million
37. Stress implementation in contracts for research projects and require oral presentation of each research report to department officials.	Executive		
38. Purchase magnetic tape dictation equipment for the Bureaus of Interstate, Right of Way, and Surveys and Plans.	Executive		
39. Relocate the Tests Section.	Executive		
40. Perform asphalt and concrete plant inspections at the division level.	Executive	Annual Saving	\$1.2-million

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
41. Use modern procedures for all laboratory and field tests.	Executive		
42. Convert the Bureau of Research and Development to a section under the Bureau of Materials and Tests and reduce its operating personnel.	Executive	Annual Saving	\$ 43,000
43. Update filing procedures in the Bureau of Materials and Tests.	Executive		
44. Require the Geotechnic Section to report to the materials engineer.	Executive		
45. Require the Bureau of Secondary Roads to perform final inspections on Federal Aid Secondary Funds projects.	Executive		
46. Perform maintenance inspections on FAS projects when there is evidence of continued substandard work.	Executive		
47. Make the existing varitype machine available to the Bureau of Bridges and other department units which may need it.	Executive		
48. Increase the work output in the Bureau of Bridges through mechanical aids.	Executive	Annual Saving One-time Cost	\$ 10,600 \$ 2,200
49. Change the preparation method for property plats in the Bureau of Right of Way.	Executive	Annual Saving	\$ 6,200
50. Use photo reduction to make scale changes in the Bureau of Right of Way.	Executive		
51. Trace right-of-way maps from drawings prepared by the divisions.	Executive		
52. Hand letter right-of-way and property plats.	Executive	Annual Saving	\$ 9,800
53. Streamline the procedure for checking legal descriptions in the Bureau of Right of Way.	Executive	Annual Saving	\$ 4,300
54. Computerize the forms used by the Bureau of Right of Way for relocation payments and assistance.	Executive		
55. Reduce outside appraising expenses by improved use of the staff in the Bureau of Right of Way.	Executive	Annual Saving Annual Cost	\$141,000 \$ 12,000
56. Limit survey parties to nine persons.	Executive	Annual Saving	\$ 47,000
57. Reduce costs on metal pipe.	Executive	Annual Saving	\$ 28,800
Construction and Maintenance			
58. Submit travel expenses as amounts actually expended within the defined maximums.	Executive	Annual Saving	\$ 30,500

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
59. Streamline the current bidding and contracting procedures.	Executive		
60. Remove the landscaping engineer from the Bureau of Construction.	Executive		
61. Submit field reports to the Bureau of Construction on a bimonthly basis.	Executive	Annual Saving	\$ 18,300
62. Eliminate one clerk/stenographer in the Bureau of Maintenance.	Executive	Annual Saving	\$ 5,100
63. Eliminate one utility laborer.	Executive	Annual Saving	\$ 4,600
64. Establish a comprehensive maintenance management program.	Executive	Annual Saving One-time Cost	\$1.96-million \$300,000
65. Establish an examination procedure for the purchase of resurfacing material.	Executive	Annual Saving	\$1.25-million
66. Reduce personnel in the Traffic Department after completion of the current project.	Executive	Annual Saving Annual Saving	\$ 85,500 \$ 85,500 (Federal)

Field Divisions

67. Request funds for acquisition and installation of new equipment simultaneously.	Executive	Annual Saving	\$ 6,800
68. Keep all files on completed work projects at Montgomery.	Executive		
69. Eliminate 40 compaction inspectors by purchasing 16 nuclear density testing machines.	Executive	Annual Saving One-time Cost	\$306,000 \$ 72,000
70. Limit transit crews to four employees.	Executive	Annual Saving	\$572,000
71. Discontinue the use of department vehicles for personal transportation.	Executive	Annual Saving	\$561,500

Office of Coordinator of Highway and Traffic Safety

1. Establish a priority program and status-reporting procedures for each of the 16 safety standards.	Executive		
2. Relocate the Office of Coordinator of Highway and Traffic Safety to a central state building as soon as possible.	Executive	Annual Saving Annual Cost	\$ 11,700 \$ 6,700
3. Reduce the clerical personnel by one.	Executive	Annual Saving	\$ 7,500

Department of Aeronautics

1. Transfer the department's airplane to the proposed aircraft pool.	Executive		
2. Eliminate the current position of aeronautical assistant.	Executive	Annual Saving	\$ 11,900

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
State Docks Department			
1. Reduce the functions reporting to the docks operations manager to four.	Executive		
2. Abolish the position of docks operations general manager.	Executive	Annual Saving	\$ 21,700
3. Eliminate one assistant docks operations manager.	Executive	Annual Saving	\$ 14,500
4. Establish a motor pool for the general-use vehicles.	Executive	Annual Saving	\$ 4,700
5. Establish a comprehensive department maintenance program.	Executive	Annual Saving	\$ 44,800
6. Pay invoices with a discount clause within the discount period.	Executive	Annual Saving	\$ 15,000
7. Replace seven Terminal Railroad employees in Data Processing with six merit system workers.	Executive	Annual Saving	\$ 29,000
8. Increase EDP equipment utilization or reduce hardware capability.	Executive		
9. Eliminate one superintendent of the cotton compress.	Executive	Annual Saving	\$ 14,500
10. Install a rail hopper car pit at the public grain elevator.	Executive	Annual Saving One-time Cost	\$ 92,600 \$ 36,000
11. Install automatic bin deck equipment in the old public grain elevator.	Executive	Annual Saving One-time Cost	\$103,000 \$150,000
12. Install automatic grain hopper scales in the old public grain elevator.	Executive	Annual Saving One-time Cost	\$ 41,000 \$ 50,000
13. Install drag scrapers at the meal facility of the public grain elevators.	Executive	Annual Saving One-time Cost	\$ 27,400 \$ 70,000
14. Improve the access roads to the state docks.	Executive		

Printing and Publications

1. Create a statewide position of Manager of Printing and Publications.	Executive	Annual Cost	\$ 18,000
2. Reduce the number of print shops to eight.	Executive	Annual Saving One-time Cost	\$ 21,500 \$ 2,000
3. Adopt the copy center approach for low-volume printing.	Executive	Annual Saving One-time Cost	\$167,600 \$130,000
4. Study copy machine utilization.	Executive		
5. Limit use of personal engraved stationery.	Executive	Annual Saving	\$ 3,900
6. Review work of outside suppliers with a view to better utilizing internal capacity.	Executive	Annual Saving	\$ 45,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
7. Consolidate photographic purchases at the capitol complex and organize a central supply room.	Executive	Annual Saving	\$ 13,000
8. Establish a work order cost system to charge capitol complex departments for printing services.	Executive	Annual Saving Annual Cost	\$ 75,000 \$ 8,500
9. Centralize the scheduling of capitol complex printing orders.	Executive	Annual Saving Annual Cost	\$240,300 \$ 9,000

Motor Vehicle Fleet Management

1. Establish uniform regulations for the assignment and use of state vehicles.	Executive	Annual Saving One-time Saving	\$ 39,000 \$150,000
2. Eliminate personal use of state vehicles.	Executive		
3. Enlarge and improve the motor pool operation in the capitol complex.	Executive	Annual Saving Annual Income Annual Cost	\$ 28,600 \$ 3,800 \$ 3,700
4. Establish a management program for state vehicles.	Executive		
5. Establish replacement standards for passenger cars.	Executive		
6. Establish and enforce standards for general-use cars and accessories.	Executive	Annual Saving	\$166,000
7. Revise passenger car disposal procedures.	Legislative		
8. Establish standard reports on motor vehicle operations.	Executive	Annual Saving	\$250,000
9. Restrict the purchase of gasoline and oil at commercial service stations.	Executive		
10. Establish a universal credit card for state-owned passenger cars.	Executive		

Data Processing

1. Establish a Data Systems Management Division in the Department of Finance.	Executive		
2. Recruit an administrative director for the proposed division.	Executive	Annual Cost One-time Cost	\$ 25,700 \$ 2,000
3. Implement a statewide training program for data processing personnel and agency users.	Executive	Annual Saving Annual Cost One-time Cost	\$150,000 \$ 46,000 \$ 4,100
4. Establish an evaluation program for all data processing applications now used by capitol complex installations.	Executive		
5. Develop a statewide master plan for data processing.	Executive	Annual Saving Annual Cost	\$4.7-million \$205,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
6. Coordinate activities of the Data Systems Management Division with plans for data processing development in the Department of Education.	Executive	Annual Saving	\$160,000
7. Establish procedures for educational institutions within the proposed Data Systems Management Division and coordinate the sharing of software resources.	Executive		

Office Space Management

1. Establish a statewide space management program.	Executive	Annual Saving Annual Cost	\$150,000 \$ 30,000
--	-----------	------------------------------	------------------------

Food Service Management

1. Establish a Food Service Office at the state level to coordinate activities for all correctional and mental institutions.	Executive	Annual Saving Annual Cost	\$ 50,000 \$ 25,000
2. Make all food service operations subject to State Board of Health sanitary inspections.	Executive		
3. Establish a long-range equipment planning program.	Executive		
4. Invest surplus food service funds from elementary and secondary schools.	Executive	Annual Income	\$280,000

Telecommunications

1. Install the proposed Alabama Centralized Telecommunication System (ACTS).	Executive	Annual Saving One-time Cost	\$ 88,800 \$ 15,900
2. Develop and program a combined monthly billing for the proposed telecommunication network.	Executive		
3. Establish a supervisor for the proposed telecommunication system.	Executive	Annual Saving Annual Cost	\$ 30,000 \$ 10,000

Aircraft Fleet Management

1. Create an aircraft pool in the Department of Finance.	Executive	Annual Saving One-time Income One-time Cost	\$ 64,000 \$125,000 \$ 55,000
2. Establish an authorization and billing procedure for aircraft use.	Executive	Annual Saving	\$ 20,000



THE GOVERNOR'S COST CONTROL SURVEY

SECTION V

**Implementation
Techniques**

Implementation Techniques

This report contains the recommendations of a highly qualified group of Alabama's business and industrial leaders. More than 26,000 hours of executive time were spent evaluating the efficiency and effectiveness of resource utilization and management techniques as they are practiced in state government.

However, the value of this study depends upon the degree to which its findings and recommendations are put to use. Therefore, the implementation phase presents an opportunity for a continuing effort to improve the management of Alabama's government.

The members and sponsors of The Governor's Cost Control Survey hope that each recommendation will be given consideration as to its ability to reduce costs and improve efficiency. We realize that other factors must also be considered in implementation. Additionally, we feel that each recommendation deserves a complete and objective analysis. With this in mind, the following program for implementation of the recommendations is offered for consideration:

Issue an Executive Order in support of implementation — The Executive Order should outline the organization and implementation phase of the study as well as expressing the Governor's desire for support. A majority of the recommendations in the report can be implemented by agency officials. Their cooperation and interest in improving management practices will be increased in an environment which emphasizes efficiency. To be completely effective, such emphasis must originate at the highest level of state government.

Create a state agency to promote implementation — Reducing costs and improving efficiency are activities best done on a continuing basis. An ongoing program to evaluate the best possible utilization of state resources is needed. Installation of modern management systems and techniques, continuously reviewed and updated, will prevent a recurrence of situations which existed prior to this study. One method would be to organize a management planning group as part of the Governor's staff. This unit would be responsible for planning, organizing, and developing management systems within the Executive Branch.

Appoint an implementation coordinator — This individual would be selected by the Governor's Cost Control Survey for approval by the Governor. He would be responsible for planning and monitoring the implementation program. Progress reports should be made regularly to the Governor and the Operating Committee of The Governor's Cost Control Survey. In addition, the implementation coordinator should assist with the organization of the proposed management planning group. The position should have a duration of approximately two years. During this time, a majority of the recommendations should be put into effect. After two years, the management planning group could assume responsibility for the system.

Specific activities to be undertaken during the proposed implementation program include:

- ▶ **Review of recommendations** — The implementation coordinator should discuss recommendations with the appropriate government officials. This will lead to the development of a preliminary implementation program. At this time, the agency head should indicate which proposals have been implemented or are being acted upon. In addition, recommendations on which future action is planned as well as those the agency head feels cannot be accomplished would be reviewed. Proposals requiring legislative, constitutional or interdepartmental action should also be discussed.
- ▶ **Program development** — During this stage, the implementation coordinator should compile and tabulate the results of his reviews. Data must include recommendations discussed, implementation status, dollars involved, and scheduling plans for installation of the various proposals. Recommendations not readily acceptable to agency heads may require supplementary information from the study's permanent files, additional independent research or the expertise of a survey member familiar with the area involved. Considerations other than sound management concepts may be involved which dictate an alternate course. All of these factors must be weighed before an implementation program for any agency can be finalized.

- ▶ Measuring progress — The implementation coordinator will monitor the timeliness and extent of accomplishment for each proposal. Progress will then be compared with the original implementation plan. Such measurements against established objectives will permit identification of problem areas. A quarterly progress report will be made to the Governor and the Operating Committee of The Governor's Cost Control Survey. This report can also provide key government officials and representatives of the survey with information needed to take action which will ensure implementation.
- ▶ Program completion — A majority of the recommendations can be put into effect

within two years, although the financial benefits may not always be realized immediately. There are, however, a number of significant proposals which are broader in scope and will require more time to implement. In these instances, the proposed management planning group would provide the necessary continuity so these recommendations could be successfully accomplished.

State government, as with any dynamic organization, experiences rapid growth, new programs, and problems of inefficiency and outdated procedures. The organization of a management planning group would provide an effective vehicle to ensure continuous assistance to state agencies seeking more efficient administration.



THE GOVERNOR'S COST CONTROL SURVEY

SECTION VI

Sponsoring Organizations

Sponsoring Organizations

Abex Corporation
Alabama By-Products Corp.
Alabama Farm Bureau Insurance Companies
Alabama Flour Mills
Alabama Gas Corporation
Alabama Kraft Company
Alabama Metal Industries Corp.
Alabama Power Company
Alaga-Whitfield Companies
Alatex, Inc.
Altec, Inc.
Aluminum Company of America
American Can Company
American Cast Iron Pipe Co.
American Liberty Ins. Co.
Amoco Chemicals Corporation
Anderson Electric Corporation
ARA Services of Montgomery
Arvin Industries, Inc.
Auburn University
Avondale Mills
Beatrice Foods Company
Birmingham Trust National Bank
Blount Brothers Corporation
The Boeing Company
Borden Chemical, Division of Borden, Inc.
Brice Building Company, Inc.
Buffalo Rock Company
Bush Hog, Inc.
The Ceco Corporation
Central Bank and Trust Co.
Champion Papers
Ciba-Geigy Corporation
The Citizens Bank of Geneva
H. F. Cleveland
Clow Corporation
Coca-Cola Bottling Company
Cowikee Mills
Crawford Johnson & Company
Dairy Fresh Corporation
Daniel Construction Company
Delchamps, Inc.
Diamond Shamrock Chemical Co.
Dixie Steel & Supply Co., Inc.
Dunn Construction Company
Ernst & Ernst
First National Bank of Birmingham
First National Bank of Dothan
First National Bank of Mobile
First National Bank of Montgomery
Ford Motor Company
Geneva Cotton Mills
B. F. Goodrich Tire Company
The Goodyear Tire & Rubber Company
Gulf American Fire & Casualty Co.
Gulf States Paper Corporation
Hanna Steel Corporation
Harbert Construction Corp.
Harbin's Inc.
Hart-Greer, Inc.
Hayes International Corp.
Hunt Oil Company
Huyck Felt Company
International Business Machines Corporation
International Paper Company
Kershaw Manufacturing Co., Inc.
Kimberly-Clark Corporation
King Stove and Range Company
Liberty National Life Insurance
Lowder Associates, Inc.
MacMillan Bloedell
Mason Corporation
Mead Corporation, Woodward Company
Merchants National Bank
Minnesota Mining & Manufacturing
Mobile Gas Service Corp.
Monsanto Textiles Division
Montgomery Office Equipment Company
Morrison's, Inc.
Mutual Savings Life Insurance Co.
Nashville Bridge Co.
Newbury Manufacturing Company
O'Neal Steel, Inc.
Opp Cotton Mills, Inc.
Paragon Engineering, Inc.
Peat, Marwick, Mitchell & Co.

Peoples Bank and Trust Company
The Progressive Farmer Company
Protective Life Insurance Company
Pullman-Standard
Republic Products
Republic Steel Corporation
Reynolds Aluminum
Ross Neely Express, Inc.
Rowe Surveying & Engineering Co.
Russell Mills, Inc.
The Rust Engineering Company
Saunders Leasing System, Inc.
Scott Paper Company
Sears, Roebuck and Company
Shell Chemical Company
South Central Bell Telephone Co.
Southeastern Builders Inc.
Southern Industries Corporation
Southern Natural Gas Company
Standard Oil Company
Standard Roofing Co. Inc.

State National Bank of Alabama
Stockham Valves & Fittings, Inc.
Stonewall Insurance Company
Tallassee Mills
Teledyne Continental Motors
Thomas Foundries, Inc.
Union Carbide Corporation
Union Oil Company of California
Uniroyal, Inc.
U. S. Pipe & Foundry Co.
U. S. Steel Corporation
University of Alabama
Vanity Fair
Vulcan Materials Company
Warrior Asphalt Company of Alabama, Inc.
Wimberly & Thomas Hardware Co., Inc.
Winn-Dixie
Wolverine Tube
Xerox Corporation
Arthur Young and Company



THE GOVERNOR'S COST CONTROL SURVEY

SECTION VII

Index

Index

- Administration, Highway Department, 107, 165
Agency for Social Security, 90, 161
Agricultural Center Board, 96, 162
Agricultural Experiment Station System, Auburn University, 54, 150
Aircraft Fleet Management, 130, 171
Alabama A & M University, 73, 155
Alabama Development Office, 32, 144
Alabama State University, 74, 156
Alcoholic Beverage Control Board, 38, 145
Attorney General, 6, 136
Auburn University, 52, 149
Banking Department, 49, 149
Board of Corrections, 43, 147
Board of Pardons and Paroles, 46, 148
Building Authorities, 30, 143
Building Commission, 29, 143
Bureau of Publicity and Information, 31, 143
Civil Defense Department, 47, 148
Commerce, Industry, and Natural Resources, Statewide Reorganization, 133
Commission on Aging, 91, 161
Commission on Higher Education, 50, 149
Construction and Maintenance, Highway Department, 114, 167
Cooperative Extension Service, Auburn University, 55, 150
Dairy Commission, 97, 162
Data Processing, 124, 170
Department of Aeronautics, 117, 168
Department of Agriculture and Industries, 92, 161
Department of Archives and History, 105, 164
Department of Conservation and Natural Resources, 98, 162
Department of Education, 67, 154
Department of Examiners of Public Accounts, 24, 141
Department of Finance, 7, 136
Department of Industrial Relations, 37, 145
Department of Insurance, 34, 144
Department of Labor, 37, 145
Department of Mental Health, 82, 158
Department of Pensions and Security, 86, 159
Department of Public Health, 79, 157
Department of Public Safety, 47, 148
Department of Revenue, 26, 142
Department of Veterans Affairs, 41, 146
Director's Office, Department of Finance, 8, 136
Division of the Budget, Department of Finance, 8, 137
Division of Control and Accounts, Department of Finance, 10, 137
Division of Purchases and Stores, Department of Finance, 13, 138
Division of Service, Department of Finance, 16, 140
Education, Statewide Reorganization, 133
Education Study Commission, 78, 157
Educational Television Commission, 76, 156
Engineering, Highway Department, 112, 166
Farmers' Market Authority, 94, 161
Field Divisions, Highway Department, 115, 168
Finance and Administration, Statewide Reorganization, 132
Florence State University, 55, 150
Food Service Management, 128, 171
Forestry Commission, 101, 163
Geological Survey, 102, 164
Highway Department, 106, 164

Human Resources, Statewide Reorganization, 132
Implementation Techniques, 173
Institute for the Deaf and Blind, 76, 156
Jacksonville State University, 57, 151
Junior Colleges and Trade Schools, Department
of Education, 71, 155
Juvenile Correctional Schools, 45, 147
Legal Division, Department of Finance, 12, 138
Licensing Boards, 49, 149
Livingston State University, 58, 151
Military Department, 42, 146
Motor Vehicle Fleet Management, 122, 170
Office of Coordinator of Highway and Traffic
Safety, 116, 168
Office of the Governor, 1, 135
Office Space Management, 127, 171
Oil and Gas Board, 103, 164
Peace Commission, 38, 145
Personnel Department, 19, 140
Planning and Programming, Highway
Department, 111, 166
Printing and Publications, 121, 169

Public Library Service, 77, 157
Public Service Commission, 7, 136
Retirement Systems, 33, 144
Secretary of State, 3, 135
Soil and Water Conservation Committee, 104, 164
Sponsoring Organizations, 175
State Auditor, 2, 135
State Docks Department, 117, 169
State Insurance Fund, Department of Finance,
13, 138
State Treasurer, 4, 135
Statewide Reorganization, 131
Telecommunications, 129, 171
Transportation, Statewide Reorganization, 134
Troy State University, 59, 151
University of Alabama — Birmingham, 60, 152
University of Alabama — Huntsville, 61, 152
University of Alabama — Tuscaloosa, 63, 152
University of Montevallo, 64, 153
University of South Alabama, 65, 153