

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Department of Printing Printing Services

(May 18, 2011)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on May 18, 2011

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Title: Department of Printing Printing Services

Audit Scope and Objectives:

In the SAO's 2009 State Government Performance Review, it asked whether certain activities were core functions of government and, if not, whether they could be scaled back, eliminated or transferred to the private sector.

SAO reports that it conducted this audit to evaluate the Department of Printing's progress in addressing the options it identified in the 2009 review and to develop recommendations for improving efficiency and reducing costs for all state printing services.

SAO says it focused on how to reduce overall costs as the primary objective of the audit, specifically asking:

- Can changes be made to the Department of Printing's current business model that would lower printing costs and/or improve printing services to the state?
- Can statewide printing costs be reduced through the use of new technologies, consolidation, contracting with private printers, or by using leading practices from the printing industry?

SAO Findings (Key Results):

- The state spent about \$77.3 million for printing in fiscal year 2010.
- The Department of Printing made several changes following SAO's 2009 review to stabilize its financial condition.

SAO Findings (Key Results) (continued)

- The state is not receiving the full benefit of an increasingly competitive printing marketplace.
- The presence of independently operated state agency print shops contributes to inefficiency and unnecessary duplication of services.
- Much of the equipment at the Department of Printing and agency print shops is underused.
- The state lacks a management strategy to contain costs for printing equipment and supplies.
- Overall, Washington is using relatively few of the effective practices that other states employ to hold down costs by promoting competition; consolidating print shops and copy centers; and cutting costs for office-based printing equipment and supplies.

SAO Recommendations:

SAO makes six recommendations:

1. Lawmakers should allow state agencies to obtain bids from private vendors and should require them to solicit bids from the Department of Printing for all jobs that require the services of a print shop.
2. Lawmakers should permit the Department to set its own prices for individual jobs with the overall goal of achieving long-term financial stability.
3. The Department should regularly update its budgeted hourly rate model to accurately reflect operational costs.
4. The Office of Financial Management should direct WSDOT, Employment Security Department, Department of Social and Health Services, and Department of Labor and Industries to consolidate their printing equipment and staff with the Department of Printing. SAO also recommends that the Legislative branch, Office of Superintendent of Public Instruction, and Attorney General’s Office consolidate printing equipment and staff with the Department of Printing.
5. OFM should develop a strategy to meet printing needs across state government in an increasingly digital environment.
6. OFM should ensure its strategy addresses paper reduction, utilizing electronic technologies and other leading practices to contain printing and paper costs in Washington.

Agency Responses in Audit Report?	Yes, beginning on page 33.
Legislative Action Requested?	Yes; see Recommendations 1 and 2.

Agencies Testifying:

The Office of Financial Management (Kathleen Drew, Governor's Policy Office)

Summary of Testimony from Audited Agencies:

We thank the auditor for the audit, which verifies many of the activities and efforts that have been made over the past two years. Governor Gregoire has proposed legislation to consolidate Central Services, consistent with the recommendations from this audit.

The In-Plant Printing and Mailing Association named the Washington State Printer the best managed in-plant print shop in the nation in 2010.

We will evaluate the best options for managing and providing printing services statewide. We support the idea of coordinating and/or managing print services through one entity. Before making large scale changes we must look at the work that is done with each of these print shops. We agree with the overall concepts of competition and efficiency, although we still have questions about some of the assumptions made in the audit on cost savings and peak capacity. Efficient operations and accountability is a high priority for state agencies.

We exceeded our goal of reducing paper use by 20 percent by 2009. The Department of Ecology has said that our state agencies use 25 percent less paper per FTE than the average of office workers across the country. We are continuing the paper use reductions included in Governor Locke's 2005 Sustainability Executive Order.

Other Parties Testifying:

Jim King, Independent Business Association

Summary of Testimony from Other Parties:

Without even looking at print strategies, the fundamental question of, "what are we printing?" still needs to be addressed more aggressively. We print and mail a lot of material in this state that goes straight to recycle. This may provide more opportunities for savings than by changing the way we are printing.

There is a problem with comparing bids from the private sector to bids from the public sector because the private sector is paying taxes that come back to state and local governments. You can't just look at the job costs of employee time and material. The private sector must absorb costs like capital investments and rent that may or may not be accurately reflected in bids made by the public printer.

Managed print does not include a needs assessment. Private providers who supply office equipment go in and help an agency assess their needs. Many of the agencies that have had an assessment show more savings than those with managed print. Devices can now be reduced to one-third simply because every time a multi-function device is installed it replaces a copier, printer, and fax with one machine. We have seen cases in managed print agencies where hundreds of thousands of dollars have been spent for copies that were not made because of the nature of the contract. We need a comparison of what has happened under managed print at one agency versus what has happened at agencies with traditional contracts. That has not been presented by those advocating managed print and it is not in this study.

We question whether the Department of Printing has the expertise to manage the in-office print environment. Many more questions need to be asked before we force agencies into a model that may not be a cost saver. The creation of a new state bureaucracy to manage print at all agencies may not be in our best interest.