



**Commonwealth of Kentucky
Finance and Administration Cabinet**

Matthew G. Bevin, Governor
William M. Landrum III, Secretary

**FINANCE AND ADMINISTRATION CABINET
TOP ACCOMPLISHMENTS FOR 2016**

The Finance and Administration Cabinet, the primary support agency for state government, reviewed various service areas, made recommendations for changes, and worked to streamline processes throughout the cabinet. With a focus on customer service, employee recognition, more accountability and transparency, the cabinet is poised to continue its broad scope of work in 2017. Significant first accomplishments ranged from establishing The Office of Inspector General to conducting the most comprehensive and wholistic review of the state fleet. Overall, the cabinet's work encompasses information technology, procurement, financial controls, asset management, facilities management, surplus property, energy management, local government support, tax revenue collections and more.

Following are highlights of the Finance and Administration Cabinet's accomplishments in 2016.

Awards and Recognitions

THE 300 BUILDING RECEIVES LEED SILVER DESIGNATION: The innovative building design, interior and exterior building materials, building orientation, re-use of site resources and more propelled the new state office building to a LEED Silver ranking. The 300 Building was noted for maximizing open space on the site, water efficiency, optimizing energy performance and management, using regional materials and certified wood products. Natural lighting and "neighborhood" work station design enhance employee interaction and productivity.

29 YEARS OF EXCELLENCE: For the 29th consecutive year, the Office of the Controller has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). This is an important factor that bond rating agencies use to evaluate the credit worthiness of a governmental unit. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

INFRASTRUCTURE INVESTORS' DEBT AWARDS FOR EXCELLENCE: The \$324 million KentuckyWired middle-mile project received this recognition for the North American Social Infrastructure Category. The pioneering project is the first to utilize a private public partnership model for broadband infrastructure in the US and at date of recognition, was the largest fiber optic project ever. The Commonwealth of Kentucky invested \$30 million for this project, the rest being financed using a first-of-its-kind hybrid combination of tax-exempt and taxable bonds. Once complete, the fiber optic network will bring more than 3,000 miles of high-speed internet to all of Kentucky's 120 counties.

2016 AGENCY OF THE YEAR AWARD: The Office of Procurement Services received the 2016 Agency of the Year Award from the Kentucky Public Procurement Association. The recognition was for the office's efforts and accomplishments to elevate the procurement profession across the commonwealth.

2016 BUYER OF THE YEAR AWARD: Richard Mize, CPPB, was awarded the 2016 Buyer of the Year Award from the Kentucky Public Procurement Association. Mize was recognized for his 20 years of procurement experience and his work on implementing the first reverse auction for the Commonwealth that resulted in a \$42,000 savings.

SELECTED ACCOMPLISHMENTS

Commonwealth Office of Technology (COT)

ENTERPRISE IDENTITY MANAGEMENT: Through the implementation of this system, COT collaborated with the Personnel Cabinet to establish the Kentucky Human Resources Information System (KHRIS) as the authoritative source of identity information for the employees of the Commonwealth. Historically the management of identities has been a manual process that was inefficient and not cost effective. By using KHRIS as the official record, several functions have been automated. Other gains include data security and consistency across the Commonwealth making it easier and more efficient to maintain enterprise data.

IT SERVICE MANAGEMENT TOOL: COT implemented a new HEAT self-service web interface, where employees can enter their own break/fix incidents and track each item through resolution. This improves end-user experience while streamlining internal business processes. Customers have benefited from the availability of a HEAT's Knowledge module that empowers end-users to resolve many issues on their own by accessing help articles. Future opportunities for automation, include focusing on simplicity, efficiency and consistent execution.

TECHNOLOGY ADVISORY COUNCIL: Restructured the Technology Advisory Council (TAC), which serves to improve coordination, accountability, and oversight of information technology across the executive branch of state government. The TAC assists the CIO with aligning business requirements and technology investments along with helping devise the enterprise IT strategic plan, establishing service level agreements for centralized services and reviewing capital IT projects.

Office of the Controller

FINANCIAL SYSTEM UPGRADE: Completed all planning phases for the next eMARS Financial and infoAdvantage upgrade, which will include enhancements to functionality. This upgrade provides for a review of current business practices to determine where improvements can be made. Upgrades ensure the eMARS suite of products are aligned with ever-changing technology.

ELECTRONIC PAYMENT PROCESSING: Successfully transitioned all electronic payment processing from the Commonwealth's ePAY application to Kentucky Interactive's payment processing application. More than \$4 billion annually is now processed through this PCI compliant payment engine. The transition from ePAY also decreased the settlement time from 4 to 5 business days down to 1 or 2 days for some agencies.

BOND REFUNDING SAVINGS: The Office of Financial Management continued its practice of issuing bonds with low interest rates to refund various general fund and agency fund bonds, allowing the state to realize \$101 million in present value savings. There were 21 separate new money and refunding transactions totaling \$1.7 billion.

INTERNAL REVENUE SERVICE AGREEMENT: The Division of Local Government Services implemented a comprehensive communications plan to ensure state a local government agencies throughout the Commonwealth knew of the Jan. 1, 2017 start date for new FICA and Medicare payroll tax calculations per the IRS. The outreach plan included meeting with or attending county official conferences, retirement systems, speaking engagements, publications, newsletters and information provided on web sites.

Office of Procurement Services (OPS)

PROCUREMENT TRAINING & CERTIFICATE PROGRAM: Initiated a procurement training and certificate program specific to Kentucky laws, regulation and policy. Designed a first procurement training course, *Intro to Kentucky Public Procurement*, and conducted the inaugural training for 200 in December 2016. Other training courses will be designed and offered.

Office of Equal Employment Opportunity & Contract Compliance

KENTUCKY MINORITY AND WOMEN BUSINESS ENTERPRISE (MWBE) CERTIFICATION: The Kentucky Small Business Certification Committee certified **22** new businesses owned by minority or women business owners and recertified **43** businesses. Of the **192** certified MWBEs, **162** are located in Kentucky. These Kentucky businesses employ **3,711** workers.

KENTUCKY SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS CERTIFICATION PROGRAM: The KySDVOSB, implemented in August 2016, supports service-disabled military veterans who are Kentucky residents and own a business located in Kentucky. It is designed to promote growth among SDVOSBs and to assist them with locating and obtaining business opportunities. Twelve SDVOSBs were certified.

TITLE VI COMPLIANCE: The Finance and Administration Cabinet was in compliance with Title VI requirements during FY15 as noted in the Auditor of Public Accounts "Report on Compliance with Civil Rights Laws Including Agency Title VI Implementation Plans, Updates, and Compliance Reports".

Office of Policy and Audit (OPA)

WIDE-RANGING AUDITS COMPLETED: OPA completed six audits ranging in subject matter from a personnel investigation to an information technology procurement review. Other audits included a Department of Revenue process review and Education and Workforce Development review.

POLICY AND PROCEDURES REVIEWS: The OPA Policy Branch reviewed and approved six Finance Cabinet-wide standard procedures and revised the FAP Manual of Policy and Procedures.

Department for Facilities and Support Services (DFSS)

THE 300 BUILDING: In record time, 13 months from ground breaking to substantial completion, the 371,160-square-foot, 1,400-employee office building became home to three cabinets: Environment and Energy Cabinet, Education Workforce Development Cabinet, and the Kentucky Department of Education. To date, this is the largest design-build-finance-operate agreement in which state government has entered. DFSS coordinated all aspects of moving 1,438 employees from nine locations.

KENTUCKY INTERNATIONAL CONVENTION CENTER: Contract awarded to renovate the Kentucky International Convention Center in Louisville. This \$207 million project will increase the contiguous exhibit hall space from 246,000 to 400,000 square feet, add 10,000 square feet of ballroom space, and upgrade fire, HVAC and other mechanical systems, communications, equipment, exterior finishes, and more. Demolition phase started in September 2016 with a completion date expected in June 2018. The renovation project is estimated to bring an additional \$53 million in annual economic impact to the downtown area.

CAPITOL EXTERIOR: Initiated phase one exterior cleaning project for the front facade of the historic State Capitol building, which has not had such extensive cleaning or treatment in more than 50 years. The \$1 million project includes removing organic growth from the stone, tuck point as needed, and replace/repair caulk.

SURPLUS PROPERTY ADDS MONEY TO AGENCIES' BOTTOM LINE: The Div. of Surplus Property conducted gross sales of more than \$4 million in surplus property, generating \$3,333,814 in revenue for state agencies. Sales occur through live auctions, spot sales and an eBay storefront.

Department of Revenue (DOR)

REORGANIZATION: Organizational changes in DOR focused on elevating and enhancing several strategic priorities including the Division of Protest Resolution, the Division of Special Investigations and a newly established Office of Tax Policy and Regulation.

BLUEPRINT FOR SYSTEM & PROCESS EFFICIENCIES: DOR worked with a third party consultant to conduct an assessment of the department's various tax processing systems. The report offered recommendations on integrating and/or consolidating systems, which will lower maintenance costs, improve efficiency and overall improvement in functionality.

PRACTITIONER HOTLINE ESTABLISHED: The Taxpayer Ombudsman established the first-ever Practitioner Hotline to improve communication between practitioners and the department. While practitioners will have case-specific requests, this hotline will also serve as a "knowledge bank" that will ultimately assist all taxpayers within the Commonwealth. Initial reaction indicates the hotline is a distinctive success and will be an excellent resource for practitioners.

BUSINESS-FRIENDLY ADMINISTRATIVE REGULATION PROCESS: Passage of SB 129 in the 2016 legislative session allowed the department to improve its administrative regulation procedures for a more business friendly environment. The bill eliminated the requirement for the department to incorporate tax forms by reference in a regulation. All form changes are now published on the department's website.

USER-FRIENDLY WEBSITE REDESIGN: Focus on the user experience was the guiding principal in redesigning the department's website. The new site allows citizens and businesses easier access to tax forms, policies, and fraud reporting. Simplified navigation and responsive design allows for quick access from multiple mobile devices.

RED TAPE REDUCTION: The department recommended 19 regulations be repealed with four additional regulations targeted for repeal. While the regulations have yet to be amended, work continues. Twenty-eight regulations have been earmarked for technical corrections and another 21 need substantive changes to provide enhanced guidance for taxpayers. These changes are taxpayer friendly and allow businesses to operate in a modernized regulatory system providing the flexibility needed to serve their customers.