

Printing Services Performance Audit

Joint Legislative Audit and Review Committee

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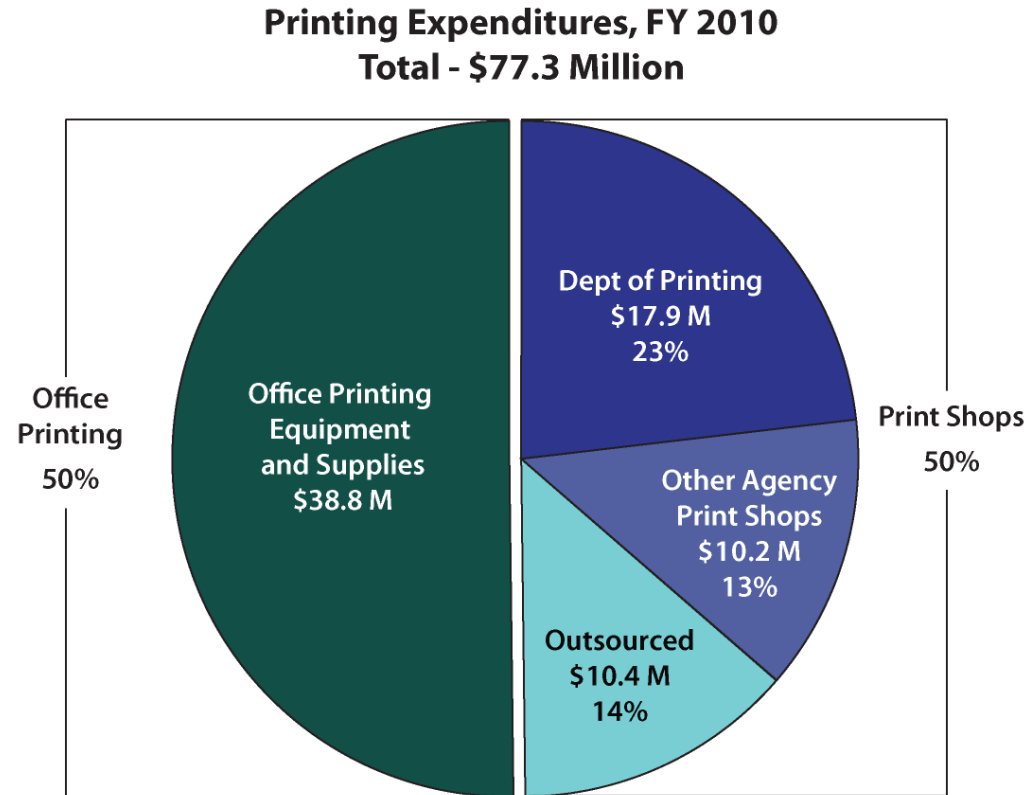
WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Today's Presentation

- State Printing Services
- Audit objectives
- Audit results
- Recommendations

Background: State Printing Services

- Washington's printing laws date to 1854. Printing was contracted out for many years.
- The state spent \$77.3 million in fiscal year 2010:
 - \$38.8 M for office printing
 - \$17.9 M at Dept. of Printing
 - \$10.4 M at private printers
 - \$10.2 M at agency shops



Audit Objectives

- We conducted the audit to follow up on our evaluation of the Department of Printing in the 2009 State Government Performance Review. We asked:
 - Can the state lower its printing costs and/or improve printing services?
 - Can costs be reduced through new technologies, consolidation, contracting with private printers, or by using leading industry practices?

Audit Results: Key findings

- **Is printing a core function of government?** We don't think so, especially compared to public safety, education, health care and other critical services. As a result, we looked at privatization options and other strategies for cutting costs.
- **Competition:** Washington is not receiving the full benefit of an increasingly competitive market. Other states give private and public printers the opportunity to compete for all jobs.
- **Duplication:** All of the printing services available at state agencies' in-house print shops are also provided at the Department of Printing.
- **Underused equipment:** Much of the state's high-capacity digital printing equipment is significantly underused.
- **Office printing:** Nearly half of state printing spending is for printing on desktop printers and office copiers.
- **Cost containment:** Washington lacks statewide strategies to reduce the costs of work performed at print shops and in office settings.

Public/Private Price Comparisons

- Compared to five **private printers**, Printing had the lowest price on five of seven jobs.
- In a **national comparison**, Printing's prices were higher than the median on two jobs and lower on one.
- The **Department's 2010 survey** of local and national printers' prices for 17 common jobs showed it had the lowest price on eight jobs and was higher on the other nine.

Dept. of Printing prices vs. local private printers (Dept. of Printing prices highlighted)						
Product	Lowest Price	→				Highest Price
Newsletter	\$2,789	\$3,325	\$3,368	\$4,000	\$4,826	\$6,091
Self-mailer	\$1,359	\$1,985	\$2,047	\$2,214	\$2,754	\$3,329
Binder	\$1,913	\$2,077	\$2,977			\$3,307
Letterhead	\$449	\$610	\$669	\$918		\$1,265
Poster	\$418	\$667	\$837			\$1,175
Book	\$76	\$79	\$189			\$298
Envelope	\$35	\$77	\$133	\$177		\$179

Washington Limits Competition for Print Jobs

- State law allows the Department of Printing a “right of first refusal.” When Printing decides to handle a job, state agencies are prevented from seeking competitive bids from private printers.
- If Printing decides not to perform a job, it outsources the work to private printers and adds a 5-percent administrative charge.
- In fiscal year 2010, Printing outsourced \$9.6 million in work to private printers. Agencies independently outsourced another \$0.8 million in print work.

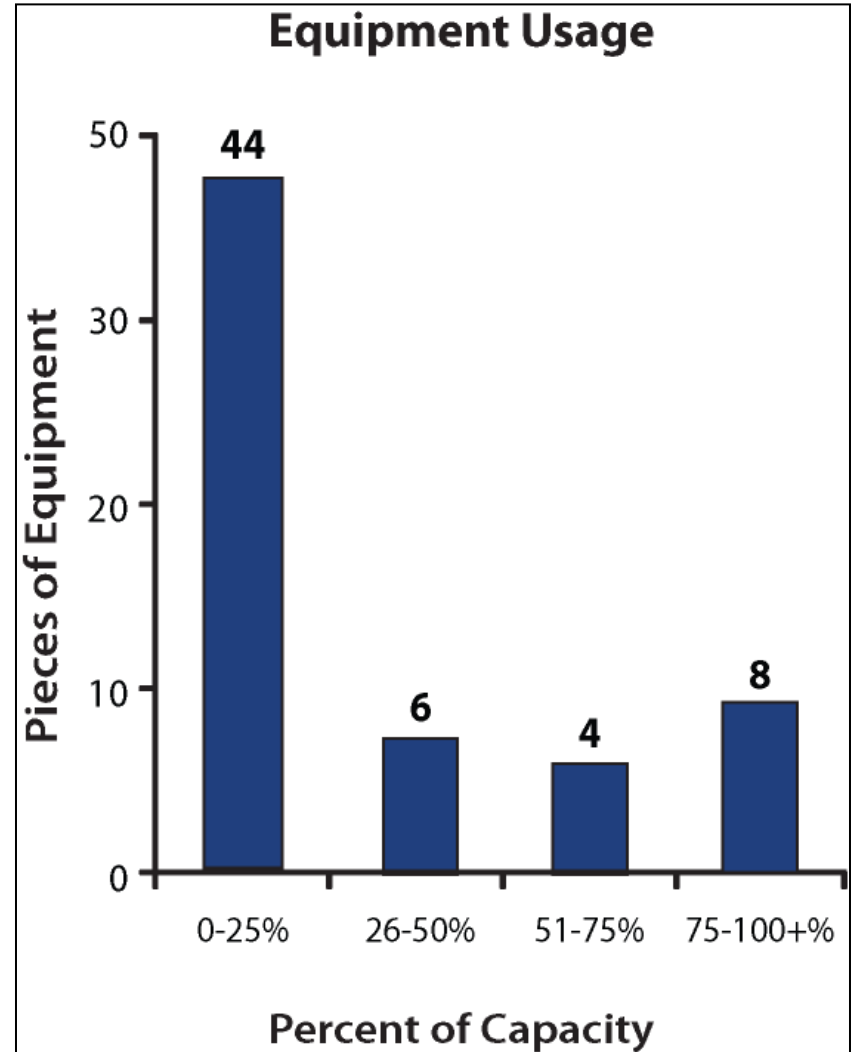
Agency In-house Print Shops

- We evaluated several agency print shops for this audit, in addition to Printing:
 - Attorney General
 - Corrections
 - DSHS (Olympia and Steilacoom)
 - Employment Security
 - Information Services
 - Labor & Industries
 - Legislature (House & Senate)
 - Superintendent of Public Instruction
 - Transportation
- Agencies with in-house print shops had 59 full-time positions and spent \$10.2 million in fiscal year 2010.

All services provided by the agency in-house shops are available at Dept. of Printing facilities											
Services	PRT	AG	Leg	DSHS	ESD	WSDOT	DOC	OSPI	DIS	L&I	
Addressing/ mailing/ fulfillment	✓		✓	✓	✓	✓		✓	✓		
Batch printing	✓	✓	✓	✓			✓		✓	✓	
Copying	✓	✓	✓	✓	✓	✓		✓			
Correction/file repair/ copy prep	✓	✓	✓	✓	✓	✓		✓			
Digital printing	✓	✓	✓	✓	✓	✓		✓	✓		
Finishing/ binding	✓	✓	✓	✓	✓	✓	✓	✓			
Graphic design/ layout	✓	✓	✓	✓		✓	✓				
Large format work	✓	✓	✓	✓	✓	✓	✓				
Offset printing	✓		✓			✓	✓				
Process printing	✓						✓				
Scanning	✓	✓	✓	✓	✓	✓		✓			
Variable data printing	✓	✓		✓	✓				✓	✓	
Web printing	✓			✓					✓		

Underused Equipment

- Most large-capacity printing equipment is substantially underused.
- We studied 62 machines at Printing and at agency print shops.
- We defined 100 percent capacity as 5.5 to 6.5 hours per day.
- 44 machines were used at no more than 25 percent capacity.
- Only 12 machines were used at more than 50 percent capacity.



Office-Based Printing Costs

- Fifty percent of state spending is for office-based printing. Costs include desktop printers, ink/toner and paper.
- The number of printers per full-time employee varies widely between agencies. Some agencies have almost one printer per employee.
- Washington state does not have a comprehensive management strategy to reduce office-based printing costs.
- Only three state agencies use the “managed print” strategy to minimize printing and associated costs.

What are other states doing to cut costs?

Other states' practices

- Using technology to minimize the need for printed documents.
 - Debit cards
 - Electronic transfers

Other states have different business models

- Nevada: Public-private competition, no price cap.
- Colorado: Public printer compares prices with private printers and reports to Legislature.

Recommendations

- **Increase competition.** Allow private printers and the Department to compete for all jobs, so that agencies will be assured of getting the lowest possible price.
 - Depending on private printers' prices, state costs could rise by up to \$120,000 or decline by more than \$1 million per year.
- **Consolidate print shops.** Reduce the number of shops to cut duplication and improve coordination and management of printing services.
 - Projected savings: \$1.8 million to \$1.9 million per year.
- **Comprehensive cost-containment.** The state could realize significant savings by adopting statewide cost-cutting strategies and requiring agencies to use "managed print" to minimize their costs.
 - Projected savings: \$3.2 million to \$10.7 million per year.

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