Information Technologies Billing Audit - #740
Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Information Technologies Division's billing process to recoup its expenses. This audit came about due to the ongoing issues with the billing model discussed during the annual budget process in recent years.

What CAO Recommends

We recommend that the City's Information Technologies Division establish a new billing methodology that is equitable, accurate and transparent in its billing methods.

What CAO Found

Overall, the billing methodology of the Information Technologies Division for FY 2011/12 had significant internal control weaknesses which prevented it from sufficiently and accurately recouping costs in a fair and equitable manner.

Specifically, we found issues concerning the following items:

- The inventory counts utilized as the basis for billing had significant inaccuracies.
- There were limited instances where a using agency could be billed for services not received.
- The Information Technologies Division overreacted to perceived billing issues and switched to billing based on remaining budgetary capacity during FY 2011/12 for many areas.
- There were issues with billing and collection of radio service costs with outside agencies.
- The Information Technologies Division needs to bill actual costs whenever reasonable.

Actual Revenues vs. Expenditures
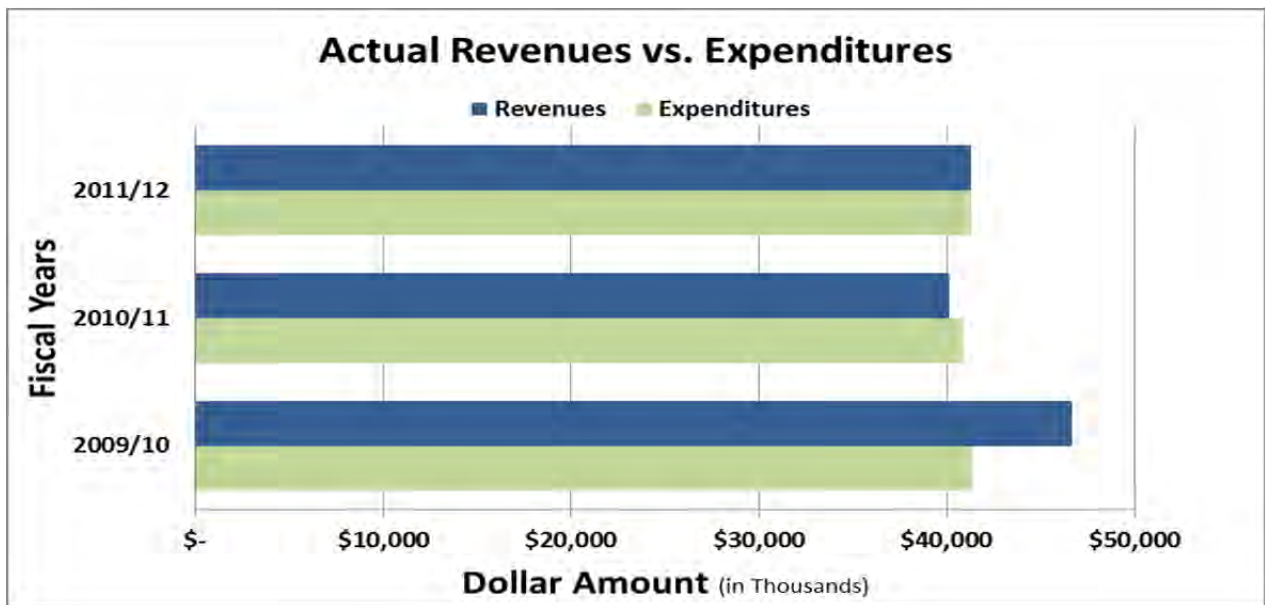
Council Auditor's Office

Information Technologies Billing Audit

April 30, 2013

Report #740

Released on: September 30, 2013

AUDIT REPORT #740

OFFICE OF THE COUNCIL AUDITOR
   Suite 200, St. James Building

April 30, 2013   Report #740

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Information Technologies Division's (ITD's) billing process to recoup its expenses. ITD's actual expenditures for FY 2011/12 were $41,292,440. The division is located within the Intra-Governmental Services Department and ITD is the technology provider for the City of Jacksonville's departments. They maintain and support information and data processing systems and applications, communication systems, software and hardware licensing, and many other facets of information technology. As an internal service provider, ITD performs services for its customers (City agencies) and charges those customers for the services provided with the goal of operating on a cost-reimbursement basis that is fair and equitable. The goal is that the customers will take more responsibility for their portion of the costs and reduce any unnecessary costs that are billed out to them.

ITD operates four separate subfunds that each provides different services. The subfunds are broken down into Computer Operations, Communications, Radio, and Systems Development. Each subfund has its own unique characteristics and charges. Below is the list of charges which ITD uses to recoup its expenses through the four subfunds.

- GIS/Aerials (Geographical Information Systems) – This service assists various areas of the City in making decisions based on geographical referenced information.
- ITD Replacements (also known as PC Refresh) – The City has a PC "refresh" schedule so that the City can keep an up-to-date fleet of computers. This is the billing account which recovers the cost of the computer over a predetermined amount of time.
- Network Group – This represents the costs of operating the interconnectivity of the City's data network.
- Copier Consolidation – Copiers and printers are deployed throughout the City which are owned and maintained by a third party vendor and charged to customers based on usage.
- Radio – The City operates a county-wide radio network that allows communication between multiple government agencies. The maintenance, services, and debt of the system are charged to City customers and participating Independent Agencies.
- Telecommunications – This is the cost to operate the City's non-wireless telephone communications equipment.
- Systems Development – ITD assists customers in the development, procurement, and implementation of software solutions. The costs for those services are reflected here for the specific customers.

- Data Center Services – The cost of equipment, services, and maintenance related to the City's data center operations are displayed through this charge.
- Wireless Communications – The cost of operating wireless communication devices are represented in this chargeback.
- Offsite Storage – The City stores a large amount of documents with a third-party vendor. This account reflects each customer's cost of having documents in storage.
- Computers Systems Maintenance – This is the cost to provide maintenance and services pertaining to City-used applications.
- Helpdesk & Desktop Services – This represents the cost to provide telephone support for technology related issues and the charge for third-party services for computer related issues.

Although the charges are broken into twelve different categories, ITD's billing methodology has been harshly criticized by different parties as difficult to understand, non-transparent, and unfair. This has resulted in customers' distaste for IT-related internal service charges as they feel they have no control over them, but are rather just told what they will be charged, which is contradictory to the goal of operating ITD as an internal service fund.

STATEMENT OF OBJECTIVE

To determine whether internal controls are in place to ensure that Information Technology costs are sufficiently and accurately recouped in a timely manner.

STATEMENT OF SCOPE AND METHODOLOGY

The scope of our audit was October 1, 2011 through September 30, 2012, or Fiscal Year 2011/12. To perform this audit, we conducted extensive interviews and observations to learn the processes and activities utilized by ITD to conduct their internal service billings. This included speaking with persons knowledgeable and involved in the process of billings. The information obtained from interviews and observations was compared to the policies in existence in addition to data retrieved from FAMIS (the City's finance and management information system), Maximo (ITD's asset management system), the City's Time and Attendance System (TAS), the ITD Billing system, and the Tax Collector's Cash Receipt system. With this information, we documented the flow of activity for each ITD internal service charge during Fiscal Year 2011/12.

During the preliminary stage of our audit, we discovered that ITD made a mid-year billing methodology change for five of its twelve charges to customers. The change in methodology was to discontinue how ITD had billed for the beginning of the year and to bill each customer's remaining budgetary capacity spread out over the remaining months of the fiscal year. ITD believed this methodology change would ensure they would at least break-even if they kept their related expenses for each charge at or under budget. This method has been referred to as $1/n^{th}$ billing where "n" represents the remaining number of months in the fiscal year. Due to this methodology change, ITD's actions to continue billing in this manner for Fiscal Year 2012/13, recognition by ITD that billing in this manner is not fair and equitable to the customer, and the anticipated development of a new billing model, we chose to focus our audit on the internal controls surrounding the billing process. By no means do we endorse the practice of billing

customers their allotted budget. This reduces or eliminates customers' incentives to take responsibility for their portion of the costs.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objective. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Information Technologies Division, via Usha Mohan, Chief of Information Technologies, in a memo on September 30, 2013.

AUDIT CONCLUSION

ITD's methodology of billing during Fiscal Year 2011/12 had significant internal control weaknesses to prevent it from sufficiently and accurately recouping costs in a fair and equitable manner. While costs were recovered in a timely manner, the goal of knowing each customer's true information technology cost was not realized due to the billing method that was utilized.

AUDIT OBJECTIVE

To determine whether internal controls are in place to ensure that Information Technology costs are sufficiently and accurately recouped in a timely manner.

INTERNAL CONTROL WEAKNESSES

ICW 1 *Incorrect Inventory Counts*

There are no standard operating procedures (SOPs) in place to maintain a materially accurate inventory count of telecommunications, radio, and computer devices. The lack of SOPs appears to have assisted in the inventories of telecommunications, radio, and computer devices being inaccurate which is what we found during our limited inventory testing.

An example of a lack of SOPs contributing to incorrect inventory counts is evident during the budget preparation. Departments often notify the Budget Office of updated inventory counts as compared to those utilized to prepare the budget. The Budget Office then prepares the budget to present to City Council based on the updated count; however, ITD does not reflect the updated count within Maximo nor does it appear that they examine the reason for the change in inventory counts. If SOPs for inventory were in place, the updating of counts would occur in a timely and organized manner.

Recommendation to ICW 1

We recommend ITD develop SOPs related to inventory which would address the transfer and surplus of technology related inventory so that the system used to manage assets can be kept materially correct. We also recommend that once these policies are developed, ITD update the inventory counts within Maximo to have an accurate list of assets going forward.

Information Technologies Division Response to ICW 1

Agree ☒   Disagree ☐   Partially Agree ☐

ITD is in the process of developing and communicating SOPs and reconciling customer assets with all processes being fully implemented for the FY2015 budget cycle. One of the immediate actions taken was the first phase of the customer inventory verification and putting a greater emphasis on inventory with the pooling of computer, network, and telephone inventory into a single inventory room on the 9th floor of the Ed Ball Building. This area is now staffed to oversee check-out, receiving and ensure Maximo is kept current.

ICW 2 *Billing for Undelivered Goods*

During the annual City budget process, City agencies are allocated a budget for new computers based on the age and need of computers as determined by ITD and the customer. ITD's policy is to bill customers for computers the customer is scheduled to receive per the PC Refresh schedule regardless if the customer receives the designated number of computers. If the agencies do not receive the exact number of allocated computers, ITD will bill the agency their allocated budget per the PC Refresh schedule. ITD may even attempt to deploy the new, purchased computers to another agency while requiring no payment from the agency that actually received the device and still charging the one scheduled to receive the device.

Recommendation to ICW 2

ITD needs to bill their customers for the equipment and/or services received. This may require making adjustments to billing schedules and updating the deployment results for inventory purposes, but should not come at the expense of one customer over another which is the result of the current system.

Information Technologies Division Response to ICW 2

Agree ☐   Disagree ☐   Partially Agree ☒

There are some challenges to be overcome with the PC refresh process:
1. Predicting which customers will be receiving new PCs in the upcoming year has not been an exact process. As changes are proposed to the schedule, unused PCs are reclaimed etc., which change the numbers.
2. There are challenges to budget transfers from customers from General funds to other funds like Enterprise funds and 15U etc. ITD will work with the Budget Office to find a satisfactory solution to this issue, including considering other ways of billing out for refreshed PCs.

ICW 3 *Lack of Direct Bill Procedures*

ITD purchases, maintains, and supports numerous applications for its customers. If the application is customer-specific, ITD is supposed to charge the cost of the application to the customer through a "direct bill" charge. This ensures that the cost of the application is charged solely to its end user; however, there is no formal procedure for identifying items which were budgeted to be direct billed to a customer. ITD stated that they will occasionally look through JaxPro (the City's Procurement application) for items that were purchased and should be direct billed. This manual and intermittent process allows for purchases to be overlooked, and therefore, not billed in a timely manner or not billed at all resulting in loss of revenue to ITD.

Recommendation to ICW 3

ITD needs to develop and implement formal procedures for direct bill items to determine which items should be direct billed and how they should be identified once purchased throughout the year.

Information Technologies Division Response to ICW 3

Agree ☒   Disagree ☐   Partially Agree ☐

Per the old cost allocation methodology, ITD used to direct bills for some line items (mainly maintenance) that were department specific. Due to the new cost allocation model being developed and deployed, ITD has been billing customers 1/12 of their allocation after discussion with Council Auditors and Budget Office. Additional direct bill line items, like cell phone bills, Centrex lines, Metro Es, PRIs etc. are planned as part of the new cost allocation model whose implementation has been postponed until FY2015.

ICW 4 *Incomplete Project Billings*

ITD is not recouping all costs for Geographical Information Systems (GIS) services because all costs are not billed to the end users. The GIS area works on customer-specific projects as well as projects that are deemed to be useful to multiple customers. The projects that are deemed to be useful to multiple customers cannot be billed to a single customer. As a result, ITD has set up "split accounts" whereby the projects benefiting multiple customers are split to charge those customers a percentage of the cost. This appears to be a good practice in theory; however, the split accounts are not being billed out at 100% of their costs. The net amount of non-billed services equaled $79,669 in Fiscal Year 2011/12. This practice caused the GIS area to operate at a loss for Fiscal Year 2011/12.

Recommendation to ICW 4

We recommend ITD determine who the benefiting customers for split account projects are and bill each customer in a fair and equitable manner for the full cost for the services in order to recoup all costs.

Information Technologies Division Response to ICW 4

Agree ⊠   Disagree ☐   Partially Agree ☐

This will be addressed with the new cost allocation model; implementation has been postponed until FY2015. For example, the total cost of GIS services will be computed with the software, hardware and personnel costs and will be billed out to all the customers using the GIS services.

ICW 5 *Lack of User Rights Security within Maximo*

Maximo is the asset management application software used by ITD to keep track of technology related assets (computers, telephones, radios, servers, etc.). Some ITD employees have access to the asset modules within Maximo to make updates to assets for location changes, employee assignments, billing indexcodes, and other information pertaining to the asset. This is a necessary function as ITD is responsible for technology related assets; however, under the current security rights structure, if an employee has access to one of the asset modules, they have access to the other asset modules even though they may have no need for that access. An employee in the radio shop who updates radio asset information as necessary has no need to have access to the desktop asset information.

Recommendation to ICW 5

ITD should implement the system controls within Maximo to limit employees' access to asset modules. This would limit the number of employees with access to inventory records. They should also consider limiting the number of individuals with access to each asset module.

Information Technologies Division Response to ICW 5

Agree ☒   Disagree ☐   Partially Agree ☐

Maximo has a robust security module that enables ITD to create roles. ITD will coordinate with Maximo stakeholders and users to ensure proper process is followed and appropriate roles are defined in the application.

ICW 6 *Incomplete Review of Vendor Invoices*

Vendor invoices for wireless services and phone/network services are only reviewed for large variances in total charges each month prior to payment. ITD does this by comparing the net charges of several months looking for any large variances in total charges. Discrepancies in the net amount are only investigated if they approach an artificially established threshold.

Recommendation to ICW 6

ITD needs to determine a way to perform an analysis of each months' vendor invoices accuracy and completeness prior to authorizing payment for services rendered. This analysis should also help identify unreasonable usage or abuse by individuals and will help to ensure that ITD is not paying for services that have not been received or services they are unaware are being utilized.

Information Technologies Division Response to ICW 6

Agree ☐   Disagree ☐   Partially Agree ☒

ITD matches the invoices for maintenance and software renewals with the services provided prior to authorizing payment. A small subset which comprises the AT&T, Sprint, and Verizon monthly bills is more challenging to reconcile due to its size and complexity. ITD is leveraging our Business Intelligence team to dissect the bill in a more timely manner that will allow it to be reviewed for accuracy. This is projected to be complete by January 31, 2014.

ICW 7 *Possibility to Charge for Cancelled Project*

ITD oversees the development and implementation of system development projects for its customers. This includes the purchase and financing of projects for which ITD will charge its customers for reimbursement. System development projects are budgeted to begin at a given point in the fiscal year based on conversations with ITD and the Budget Office. ITD charges any customer with a systems development project their budgetary capacity. There is a possibility for ITD to over or under charge in the first year of a project; however, this is corrected in future years through the budget process. If a project never comes to fruition, ITD will still bill the customer because the of the budget capacity available to that customer. This would result in a customer being charged for something they never received.

Recommendation to ICW 7

We recommend that ITD not bill for system development projects until they have begun. Correspondence between the appropriate individuals within ITD needs to occur to ensure that projects are billed for only after they begin.

Information Technologies Division Response to ICW 7

Agree ☐   Disagree ☐   Partially Agree ☒

The new Cost Allocation model (FY15) proposed by ITD addresses this concern by billing out the costs and project hours for the system development projects in subfund 536 only after the project starts.

ICW 8 *Possibility to Charge for Incorrect Service*

Vendor invoices for IT-related services that are based on customer usage are forwarded to the individual responsible for ITD Billing preparation prior to the invoices being reviewed for completeness and accuracy. This potentially allows information to be compiled and reflected in customers' bills without the invoice having been approved.

Recommendation to ICW 8

We recommend ITD review and approve each vendor invoice prior to using the data to build customers' bills.

Information Technologies Division Response to ICW 8

Agree ☐   Disagree ☐   Partially Agree ☒

ITD makes every effort to approve invoices before they are paid. However when there are billing disputes with vendors, that might take some time to get sorted out. ITD has to bill the customers on a specific date every month and for auditability purposes ITD will be billing the face value of the vendor invoice. Once the dispute is settled and reflected in the vendor invoice, the customer billing will be adjusted accordingly. Also, ITD will ensure only "approved" vendor invoices are sent to the individual responsible for billing.

FINDINGS

Finding 1 *Overreaction to Perceived Under-Billing*

ITD changed the billing methodology for multiple charges in the middle of the fiscal year from billing customers based on established rates plus an overhead-type cost element to billing customers an amount equal to their remaining budgetary capacity divided by the remaining months in the fiscal year. This billing methodology change was a result of ITD's perception that

they were under-billing. Rather than determining the cause for the perceived under-billing, they made this change which resulted in the customer being unable to determine the amount or type of services received for the charges incurred. Customers then had little incentive to examine ways to reduce their costs.

Recommendation to Finding 1

ITD should review billings at least quarterly to ensure all expenses are being recouped. When expenses are not being recouped or ITD is recouping more than necessary, they should identify the root cause and make the necessary adjustments. This could result in customer credits, reduced rates, or increased pricing depending on the outcome of the periodic review.

Information Technologies Division Response to Finding 1

Agree ☒   Disagree ☐   Partially Agree ☐

ITD will review billing quarterly to evaluate expenses being recouped. This will be addressed along with the new cost allocation model; implementation has been postponed until FY2015.

Finding 2 *Problems Surrounding the Billing for Radio Services*

ITD provides radio services to multiple City agencies as well as independent agencies including the Duval County School Board, University of North Florida Police Department, Jacksonville Airport Authority, Jacksonville Transportation Authority, JEA, and the cities of Atlantic Beach, Jacksonville Beach, Neptune Beach, and Baldwin. During the scope of our audit, ITD experienced the following issues surrounding the billing for radio services.

- Based on testing performed, it appears the Duval County School Board (DCSB) has paid $12,243 (or 25%) of the $48,972 billed for the City's 2011/2012 fiscal year. According to ITD, the DCSB claimed they would not make payment due to a lack of memorandum of understanding (MOU) for radio services. To our knowledge, there has never been a MOU in place between the City and the DCSB for radio services.
- ITD did not bill JEA for most of the radio services rendered to them; rather, ITD billed JEA for radio services only for the month of January 2012. The remaining 11 months of the fiscal year went unbilled, and therefore, costs were not recovered.
- ITD billed independent agencies (excluding JEA) for radio services at a rate that appears to be contributing to the revenue shortfall in Fiscal Year 2011/2012. ITD was charging independent agencies a monthly rate per radio that was $21 less than the rate the Budget Office utilized to balance the Fiscal Year 2011/2012 Budget; however, this same consideration was not given to City departments who pay a higher monthly rate per radio. If ITD deems it unnecessary to charge the full budgeted rate, all customers should see a decrease in the rate they are billed as the same service is provided to all customers.

Recommendation to Finding 2

We recommend ITD work with the Office of General Counsel to execute an MOU between the City and all independent agencies that will satisfy the needs of the agencies and facilitate timely collections for radio services provided by ITD. As a part of any MOU, ITD should seek payment for services provided in prior years for which they were never compensated. ITD should not charge independent agencies a rate lower than that needed to cover the cost of the services provided.

Information Technologies Division Response to Finding 2

Agree ☒   Disagree ☐   Partially Agree ☐

ITD, working with the Office of General Counsel, has executed agreements with JEA and DCPS which have been approved by City Council. MOUs for the remaining agencies receiving services are currently in progress with estimated completion date of January 31, 2014.

Finding 3 *Unreasonable Billing Method*

ITD Computer Systems Maintenance customers were charged a fee based on their ability to pay rather than the actual work performed for the customer. Based on testing performed, billable hours spent working on non-customer specific projects were charged to a project code that was then allocated out to customers so ITD could recoup developer costs. This Enterprise Project Group charge per customer was divided evenly among all customers with available unused budgetary capacity. Once a customer's budgetary capacity approached a zero balance as determined by the IT employee assigned to bill the cost, that customer would no longer be charged an Enterprise Project Fee for the remainder of the year and the remaining customers would bear a larger percentage of the total project costs in the coming months.

Recommendation to Finding 3

We recommend ITD consider the implications of enterprise projects prior to budget preparation and implement a billing policy that recoups all computer systems maintenance costs in such a way that is fair and equitable to all end users.

Information Technologies Division Response to Finding 3

Agree ☒   Disagree ☐   Partially Agree ☐

This will be addressed with the new cost allocation model which has a comprehensive methodology to calculate the Enterprise solutions costs (hardware, software and personnel) and bill it back to customers based on usage as much as possible. Implementation has been postponed until FY2015.

Finding 4 *Providing Inappropriate Levels of Access to Maximo*

Upon requesting an inquiry only level of access within Maximo, we were granted the incorrect access level, which gave us the ability to change asset information including whether the asset was billable or not, the FAMIS indexcode a device was assigned to, the asset description, the operating status, and the assigned employee ID. This could create additional problems related to the already inaccurate inventories if improper levels of access are given to the end users of Maximo.

Recommendation to Finding 4

ITD needs to distribute the appropriate level of access needed for individuals to complete tasks within any application, while at the same time safeguarding City assets.

Information Technologies Division Response to Finding 4

Agree ☐   Disagree ☐   Partially Agree ☒

ITD will coordinate with Enterprise system stakeholders and users to ensure proper process is followed to grant access and appropriate roles are defined in the application. For most of the enterprise systems like Oracle HRMS, JaxPro, FAMIS, Maximo etc. business stakeholders are the final authority to authorize and manage access levels. ITD implements the access based upon the approval provided by the Business stakeholders. ITD has identified the ITD Inventory team as the Business Stakeholder for ITD Maximo access. Business stakeholders will validate the rationale for the access levels requested and provide their approval.

OPPORTUNITIES FOR IMPROVEMENT (OFI)

OFI 1 *Ability to Bill Actual Wireless Costs to Customers*

ITD has the opportunity to bill each wireless telecommunication customer based on the actual vendor charges incurred. Currently, ITD charges wireless customers a fixed rate each month for services rendered regardless of their usage amount. ITD determines which fixed rate to charge customers based on the current vendor plan being used.

Recommendation to OFI 1

ITD should examine the steps necessary to begin charging customers based on actual vendor billings. If it is determined that charging customers based on actuals is viable and cost effective, ITD should implement a plan to begin billing customers based on vendor actuals.

Information Technologies Division Response to OFI 1

Agree ☒   Disagree ☐   Partially Agree ☐

This will be addressed with the new cost allocation model; implementation has been postponed until FY2015.

OFI 2 *Utilize "No Activity" Reports for Wireless Services*

Each of the City's wireless providers will make "no activity" reports available for ITD's utilization. These reports identify which devices were not utilized during a specified time period. ITD should request and review those no activity reports on a monthly basis to ensure wireless accounts that are not in use are identified and examined to determine if they are necessary. AT&T and Verizon notify the City of cellular phones that have incurred no activity or use over an extended period of time only upon request by ITD, which ITD appears to not have requested recently.

Recommendation to OFI 2

ITD should regularly request a wireless device no activity report from each wireless provider, and review the list to determine if the devices should continue to be active or not.

Information Technologies Division Response to OFI 2

Agree ☒   Disagree ☐   Partially Agree ☐

ITD has begun this process and have been working with the customers to disconnect inactive devices; however, in some cases ITD has been unsuccessful in getting customers to agree to disconnect the service due to the nature of their business. In some cases, the wireless devices are saved to be used for emergency purposes.

OFI 3 *User Friendly Data for Telecommunication Bills*

ITD receives an invoice from AT&T each month for telephone/network services. The January 2013 vendor invoice we examined was 1,497 pages long. It requires a special application for viewing and is not user friendly in nature. Data from vendor invoices (specifically AT&T) should be available in a user friendly and easily understandable form so management can make well informed, timely decisions. It appears the invoice in its current state does not allow management or the customer to easily analyze or review the bill in a meaningful way.

Recommendation to OFI 3

ITD should work closely with vendors so that it can receive monthly bills in a user friendly and easily understandable format in which management and the end user can make well informed, timely decisions.

Information Technologies Division Response to OFI 3

Agree ⊠   Disagree ☐   Partially Agree ☐

ITD has begun discussions with Sprint and AT&T on this topic. In addition, ITD is leveraging our Business Intelligence team to dissect these bills and provide a user friendly easily understandable format. This is projected to be complete by January 31, 2014.

OFI 4 *More Detailed Billing Model*

We reviewed the IT cost allocation models of four other local governments and found that each have a factor of their billing that is based on inventory count (the main driver of ITD's billing) of computers, phones, radios, etc. A significant difference in those models as compared to ITD's is the use of full time employees (FTEs) and/or user licenses/counts as drivers in the costs of systems. ITD has placed the majority of costs of licensing, maintenance, and other related items in their cost pools that are then allocated out based on device count. This results in customers possibly paying for a service that they do not utilize or receive.

Recommendation to OFI 4

ITD should continue to pursue their revised cost allocation model to better allocate costs to the end user. It should be as user access driven as possible so that customers can make business decisions and see the results of those decisions. Any cost allocation methodology will result in a group of customers arguing that it is not fair, but ITD should be able to explain what the customer is receiving for the charges they are incurring. The methodology that was utilized during Fiscal Year 2011/12 is not one that could be justified.

Information Technologies Division Response to OFI 4

Agree ⊠   Disagree ☐   Partially Agree ☐

ITD did create a new cost allocation model and has been asked to pilot it as a parallel billing in FY14 with implementation in FY2015.

OFI 5 *Budgetary Capacity Display*

ITD's billing website displays a customer budget amount for each billing subobject. This allows the customer to compare their year-to-date charges to their budgetary authority; however, there is no SOP in place regarding how ITD determines the budgetary capacity of each customer by subobject. This leads to customers being shown budget capacity amounts in the system that do not equal their approved budgetary capacity. The differences between capacities appear to be due to all years' funds and accounts that do not go through the normal budget process. Due to the lack of data documentation, we were unable to determine exactly how ITD decided which all years' funds and unbudgeted account amounts are displayed on the billing website.

Recommendation to OFI 5

ITD should implement the procedures necessary to display accurate customer budgetary capacity amounts on ITD's billing website. ITD should also consider adding a disclaimer to their website that information displayed is not authoritative and is for informational purposes only.

Information Technologies Division Response to OFI 5

Agree ☐   Disagree ☐   Partially Agree ☒

There is a challenge with adding budgetary capacity to the billing website. The ITD budget changes during the year with transfers in. ITD was planning to add the Customer's allocation (since this is calculated in the model), dollars and % remaining as part of the new Cost Allocation model parallel billing in FY14. ITD can add the disclaimer to the website that this number is based on the initial allocation and has been provided as a guide.

OFI 6 *Encourage Customer Review*

ITD should make efforts to inform customers of their ability to review ITD billings monthly via the ITD Billing website. Currently, customers may not be aware of their ability to review charges for services from ITD as this is not a requirement of the customer. In past years, ITD emailed the customer designated contacts to inform them that the monthly bill from ITD was available for review via ITD's Billing website.

Recommendation to OFI 6

We recommend ITD notify each contact when a new monthly bill is available for review on the ITD Billing website.

Information Technologies Division Response to OFI 6

Agree ☒   Disagree ☐   Partially Agree ☐

ITD was planning on sending an email to customer contacts every month with a link to the Monthly Reports/Bills on the ITD Billing site. This will happen in conjunction with the new Cost Allocation model parallel billing in FY14.

We appreciate the assistance and cooperation we received from Information Technologies Division through the course of this audit.

<div style="text-align: center;">Respectfully submitted,</div>

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Council Auditor

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