

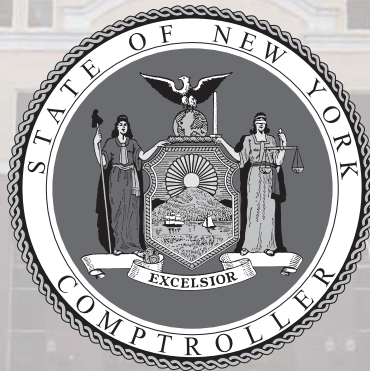
OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Cooperative Information Technology Services

2012-MR-1



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2012

Dear Local Government Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit titled Cooperative Information Technology Services. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Local governments, regardless of their size or complexity, are becoming increasingly reliant on information technology (IT) services to help them provide government services. Because many local governments provide similar services to their constituents, having each local government separately provide the services leads to inefficiencies. Through intermunicipal cooperation, local governments can share the costs of IT equipment and services and provide improved functionality and efficiencies to their taxpayers, resulting in cost savings to the participating local governments.

The costs for software, service, and support for IT operations at local governments continue to increase. However, the similarity in software used and support obtained presents opportunities for local governments to save money through cooperation by sharing the costs for IT services.

We audited 10 local governments, including three counties, three towns, and four villages.¹ These local governments serve approximately 335,000 people and had combined budgeted operating expenditures totaling \$607 million, including \$7.3 million for IT costs, in 2011.

Scope and Objective

For the period January 1, 2010, to August 8, 2011,² our audit addressed the following related question about intermunicipal cooperation for IT services and related costs for counties and their local governments:

- Can local governments reduce IT costs and/or enhance their efficiency through cooperative services?

Audit Results

Intermunicipal cooperation for the provision of IT services has resulted in cost savings for local governments. Schoharie County has reduced IT costs for software and support for local governments within the County by a projected \$87,372 through cooperative IT services. Intermunicipal cooperation for certain IT services also is occurring in Broome and Tompkins

¹ We audited Schoharie County and the Village of Richmondville within the County; Broome County and the Town of Union, Town of Kirkwood, and the Village of Deposit within the County; and Tompkins County and the Town of Caroline, Village of Groton, and the Village of Dryden within the County.

² We extended our scope for Schoharie County from January 1, 2000, to December 31, 2006, and for the Village of Richmondville back to January 1, 2009, to include relevant IT costs.

Counties. Additional opportunities exist for cooperation between the counties and their local governments for the provision of IT services. The six local governments audited within Broome and Tompkins Counties could have achieved cost savings totaling \$39,649 with potential countywide savings totaling \$288,711 for these two counties combined.

Comments of Local Officials

The results of our audit and recommendations have been discussed with local officials and their comments, which appear in Appendix A, have been considered in preparing this report. Local officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Introduction

Background

Regardless of the size or complexity of local governments and school districts, they all face similar information technology (IT) needs. Local governments are showing an increasing reliance on computers and specialized software to conduct business. Local governments must obtain service and support for their software and IT operations to ensure their systems are running efficiently and effectively. Local government IT operations can be serviced and supported by internal staff, cooperation with other local governments, or by hiring independent contractors.

IT operations, including software, service, and support, can present high costs for individual local governments. Regional³ county IT costs have increased by 6.5 percent from 2009 to 2011. In 2011, regional county IT expenses represented 1.4 percent of general fund budgeted appropriations, or \$13.9 million. However, the similarity in software used and support obtained presents opportunities for local governments to save money through cooperation by sharing the costs for software and support. Current models exist across the State in which several local governments share an accounting application while maintaining autonomy and security of their own data. One notable cooperative arrangement is between the Board of Cooperative Educational Services (BOCES) and school districts. The BOCES maintains the servers housing the accounting applications and corresponding data, and the school districts connect through a secured Internet connection to access their respective information. The arrangement spreads the cost of hardware, software, and support to the participating school districts.

We audited 10 local governments, including three counties, three towns, and four villages.⁴ These local governments serve approximately 335,000 people, and had combined budgeted operating expenditures totaling \$607 million in 2011.

³ The region encompasses the counties serviced by the New York State Comptroller's Local Government and School Accountability Binghamton Regional Office: Broome, Chenango, Cortland, Delaware, Otsego, Schoharie, Sullivan, Tioga, and Tompkins Counties.

⁴ We audited Schoharie County and the Village of Richmondville within the County; Broome County and the Town of Union, Town of Kirkwood, and the Village of Deposit within the County; and Tompkins County and the Town of Caroline, Village of Groton, and the Village of Dryden within the County.

Objective

The objective of our audit was to examine intermunicipal cooperation for IT services and related costs for counties and their local governments. Our audit addressed the following related question:

- Can local governments reduce IT costs and/or enhance their efficiency through cooperative services?

Scope and Methodology

We examined IT operations for each local government and reviewed the costs and savings for the counties providing cooperative IT services for the period January 1, 2010, to August 8, 2011. We extended our scope for Schoharie County to include application development costs incurred from January 1, 2000, to December 31, 2006, and for the Village of Richmondville to review IT costs incurred since January 1, 2009.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

Comments of Local Officials

The results of our audit and recommendations have been discussed with local officials and their comments, which appear in Appendix A, have been considered in preparing this report. Local officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Cooperative Information Technology Services

It is essential for local governments to provide necessary services in a cost-effective manner by actively seeking opportunities to cut costs, which includes the pursuit of intermunicipal cooperation. Centralized IT resources provide security for and easier access to relevant information so that local government operations can be more effective and efficient. This is accomplished by having records and information organized allowing for easily retrievable data, minimizing storage space, and streamlining security, program, and configuration updates. Intermunicipal cooperation can also leverage the advantages of shared IT services and help lower costs in the related areas of support services and software purchasing.

In addition, local governments that use cooperative IT resources would benefit from the IT policies that have already been developed and put in place by the centralized IT provider. Policies covering topics such as disaster recovery planning, acceptable use of technology, and access rights developed by the centralized IT provider to protect their computer equipment, software, and data would pass through to local governments participating in the cooperative IT services. As a result, local governments, particularly smaller local governments that lack the IT expertise to develop comprehensive IT policies, could experience improved security of their data.

Within a county, local governments use the same types of software to accomplish specific tasks, such as accounting and financial reporting, payroll processing, document indexing, and utility billing. These similar business functions lend themselves to becoming centralized, with a central data processing point that houses the data for local governments and provides the software. Through intermunicipal cooperation, local governments can share the costs of equipment and services and provide improved functionality and efficiencies to their taxpayers. Additionally, the central data point allows for better sharing and dissemination of information to taxpayers and potential users of data. Specifically, providing IT support, anti-virus licenses, web hosting, and document indexing to local governments within a county through intermunicipal cooperation would reduce IT costs.

IT support provided by county staff could alleviate the need for local governments, particularly smaller ones, to invest resources

in training staff to be able to provide appropriate IT support or contracting for service from IT vendors. Anti-virus licenses provided by a county through intermunicipal cooperation could reduce costs for participating local governments by passing along discounts obtained for bulk license purchases. Web hosting services provided by a county could reduce website development and web hosting costs for local governments that are currently paying IT contractors for the service. In addition, an affordable county-provided web hosting service could allow local governments without websites the opportunity to develop a website for their local government. Finally, document indexing services provided by a county could result in cost savings for local governments through discount equipment and license purchases and reduction in physical document storage space.

Schoharie County has reduced IT costs for local governments within the County by providing cooperative IT services for IT support and software applications. Schoharie County saved the Village of Richmondville \$2,149, or 53 percent of total IT costs, during our audit period, and saved all 22 local governments within the County up to \$87,372 by providing cooperative IT services. We also found that intermunicipal cooperation for certain IT services was occurring in Broome and Tompkins Counties; however, additional opportunities exist for cooperation between the counties and local governments. The six local governments audited within Broome and Tompkins Counties could have achieved cost savings totaling \$39,649 with potential countywide savings totaling \$288,711 for these two counties combined.

Actual Cost Savings

Starting in 2000, the Schoharie County IT Department developed certain applications⁵ to be used by local governments and their affiliates. The annual cost to Schoharie County for the staff and licenses to provide the applications and IT support is \$21,015. Schoharie County provides these applications and IT support at no cost to all 22 towns and villages in the County, resulting in cost savings for the towns and villages. For example, the Village of Richmondville was paying \$1,080 annually for IT support and \$349 for anti-virus software prior to receiving the IT support and software free from Schoharie County. The Village of Richmondville was able to realize a total savings during our audit period of \$2,149 by using the cooperative IT services offered by Schoharie County.

⁵ The Schoharie County IT Department developed the following applications: county clerk software, document indexing, dog licensing, governmental contact listing, municipal backups, public announcements, tax collection software, stand-alone utility billing, web-based utility billing, and web hosting.

We projected that, in 2010, these 22 towns and villages saved \$84,971 on IT support costs⁶ and \$2,401 on anti-virus licenses.⁷ For example, the 22 towns and villages within Schoharie County would have paid between \$41,000 and \$105,000 for IT support during our audit period if they had not received the services free of charge from the County. See Table 1 for a breakdown of the cost savings in Schoharie County.

	Total Savings	IT Support Savings	Anti-Virus Savings
Actual Savings - Village of Richmondville	\$2,149	\$1,800	\$349
Projected Maximum Savings - All 22 Towns and Villages in Schoharie County	\$87,372	\$84,971	\$2,401

The local governments in Schoharie County also realized additional savings because they did not have to pay for applications that the County provides. Due to the vastly different needs of each local government and the complexities of different applications, a specific dollar savings could not be calculated.

Potential Cost Savings

We found that additional cooperative IT services offered in Broome and Tompkins Counties could lead to potential cost savings opportunities in the six local governments that we audited. We identified cost savings opportunities for county-provided IT support, anti-virus licenses, web hosting, and document indexing services. For example, in Broome County, the Town of Union could save \$2,075 on web hosting services, and the Village of Deposit could save \$9,650 on IT support, if they received the services directly from the County. Similar cost savings opportunities exist in Tompkins County. The Village of Groton could save \$861 on document indexing, and the Village of Dryden could save \$1,552 on IT support, if they received the services directly from Tompkins County. Table 2 summarizes these potential cost savings.

⁶ We compared the highest rate paid by a local government included in our audit, from outside the County, to the average of the highest hourly rate for each County IT job title that provides support services.

⁷ We compared the highest cost-per-anti-virus license paid by a local government included in our audit, from outside the County, to the actual anti-virus license cost paid by the County in 2010.

Table 2: Potential Cost Savings in Audited Units

County	Units Audited	Actual IT Costs	Potential Total Savings	IT Support Savings	Anti-Virus Savings	Web Hosting Savings	Document Indexing Savings
Broome	3	\$194,321	\$28,933	\$24,180	\$2,678	\$2,075	N/A ^b
Tompkins	3	\$60,787	\$10,716	\$9,190	\$665	N/A ^a	\$861
Totals	6	\$255,108	\$39,649	\$33,370	\$3,343	\$2,075	\$861

^a Tompkins County does not offer web hosting services.
^b None of the local governments we audited within Broome County paid for document indexing.

Even though local governments have varying needs for IT applications and other support services, the Counties have not worked with all of their local governments to explore the possibility of the Counties providing IT support, web hosting services, document indexing services, and purchasing of anti-virus licenses. According to the Counties’ IT Directors, the County Departments would need additional staffing resources to provide IT support and applications to local governments in their respective County. Although we did not evaluate the County IT Departments’ capacity to provide these services to local governments with their current resources, we did consider that additional staff and resources may be necessary for implementation. For example, we estimated that it would cost approximately \$82,300 and \$18,000 per year for Broome and Tompkins County, respectively, to provide IT support and anti-virus licenses to local governments in their Counties. However, the costs associated with any increased staffing or additional resources could be passed onto participating local governments and would still result in overall cost savings and efficiencies.

Potential Countywide Savings

There are 40 local governments in Broome and Tompkins Counties. If the Counties considered providing IT support and services to the remaining 34 local governments that we did not audit, there is the potential for \$288,711 in IT cost savings.⁸ See Table 3 for a breakdown of potential countywide savings.

⁸ We based our projections on every local government within Broome and Tompkins Counties experiencing the same average savings of the three units we audited within each county.

County	Units in County	IT Budget	Total Savings	IT Support Savings	Anti-Virus Savings	Web Hosting Savings	Document Indexing Savings
Broome	24	\$5,327,987	\$231,456	\$193,433	\$21,423	\$16,600	N/A ^a
Tompkins	16	\$1,076,437	\$57,255	\$49,015	\$3,440	N/A ^b	\$4,800
Totals	40	\$6,404,424	\$288,711	\$242,448	\$24,863	\$16,600	\$4,800

^aTompkins County does not offer web hosting services.
^bNone of the local governments we audited within Broome County paid for document indexing.

Intermunicipal cooperation can save taxpayers money. While the largest IT savings are often attributed to the development and provision of software applications at no cost to local governments, intermunicipal cooperation between counties and local governments can bring down the cost of IT services to local governments in the areas of IT support, purchasing of anti-virus licenses, web hosting, and document indexing.

Recommendation

1. County officials should work with other local governments in their respective counties to explore the possibility of intermunicipal cooperation for IT services including, but not limited to:
 - IT support
 - Anti-virus licenses
 - Web hosting
 - Document indexing.

APPENDIX A

RESPONSES FROM LOCAL OFFICIALS

We provided a draft version of the respective individual letter reports to each of the 10 local governments we audited and requested responses. We received responses from all of the local governments. Overall, local government officials were in agreement with the findings and recommendations in the letter reports. The following comments were excerpted from the responses we received.

Schoharie County

“We are in agreement that your methodology was appropriate and yielded accurate findings... Thank you for the opportunity to respond. We hope this helps demonstrate the value of government cooperation at several levels.”

Tompkins County

“...The County agrees that economies of scale would result through shared IT services, but that such savings will be concentrated in systems infrastructure rather than labor-intensive systems maintenance.”

Broome County

“At a high level, a consolidated shared services center approach to all municipalities within Broome County could garner cost savings and enhanced efficiency if structured to take advantage of the County’s existing systems, processes, and infrastructure. The key dependency to implementation would be the formal written agreement and follow on service level agreement with all municipalities that would mandate a single, ‘one size fits all’ approach to delivery of provided services. Any exception to this dependency would invalidate the assumption of savings/efficiencies.”

Village of Richmondville

“The audit process reaffirmed that by utilizing the services provided by the Schoharie County Central Data Processing Department, the Village is able to maintain our IT system in a cost-effective manner and saving taxpayer dollars.”

Town of Caroline

“We find the audit to be accurate and we are in agreement with the recommendation that the town explore opportunities for inter-municipal collaborations which may result in cost savings.”

Village of Groton

“The projected savings would definitely warrant that the Village would save money and we would definitely consider participation in this endeavor if the County were to offer such a service.”

Village of Dryden

“During previous discussions, we had asked the County to provide us with additional IT Support for our municipality. Primarily due to staffing, they have advised they could not provide that service. During the current economy, the Village of Dryden agrees that further potential cost savings opportunities should be reviewed if available and feasible through the county.”

Town of Union

“The report acknowledges that Broome County’s IT Department does not currently provide IT services that would benefit the Town, such as general IT support, anti-virus protection, and web-hosting services. The Town of Union has an excellent relationship with Broome County Administration and will engage in discussions with the County to determine if sharing such services can improve functionality and provide cost savings to the taxpayers.”

Town of Kirkwood

“We look forward to the publishing of your global report and findings of the three counties and seven local governments within them that you have audited. It will be interesting and enlightening for all of us to digest and hopefully add to our knowledge, which may add to our success in controlling costs.”

Village of Deposit

“It was recommended in our audit that we have discussions on the county level to provide such services as IT support and anti-virus protection. At this time I do not believe Broome or Delaware County offers such support to surrounding municipalities. When and if they do, the Village would be more than happy to reduce its IT expenditures by sharing costs and equipment if possible. We plan on keeping up with what’s new at the county level to enable us to begin a discussion should services become available.”

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to evaluate whether intermunicipal cooperation for IT services between the Counties and other local governments would result in cost savings. To accomplish our audit objective and obtain valid audit evidence, our procedures included the following:

- We reviewed the Counties' and local governments' 2011 and 2012 adopted budgets.
- We interviewed the Counties' IT Directors and Local officials to gain an understanding of the type of IT services offered by the Counties and obtain background and additional information on the IT Departments' operations.
- We reviewed the Counties' intermunicipal agreement documents for IT services offered by the Counties.
- We reviewed 2011 salary data to determine the cost-per-hour of the Counties' IT positions that would provide support, if offered by the Counties.
- We calculated the average support savings in the local governments within the Counties by comparing the Counties' hourly costs to hourly rates paid by local governments during our audit period.
- We reviewed invoices and expenditure reports to determine the cost-per-anti-virus license for the Counties and the cost for each of the three audited local governments in the Counties to determine the amount of anti-virus license savings realized by local governments serviced by the County.
- We reviewed invoices and expenditure reports for each of the audited local governments in the Counties to determine the average cost for web hosting services. We then subtracted the amount charged by Broome County to the City of Binghamton for web hosting services to determine average savings.
- We reviewed time tracking reports and 2010 hourly wage data in Schoharie County from January 1, 2000, to December 31, 2006, and from January 1, 2010, to December 31, 2010, to determine the time and cost associated with application development and support.
- We reviewed invoices and expenditure reports to record the total amount spent during our audit period on IT support and the number of hours of IT support provided for each of the six local governments outside Schoharie County included in our audit to calculate the total amount of IT support savings realized by local governments serviced by Schoharie County.
- We calculated the total savings realized by the Village of Richmondville by subtracting the average hourly cost for the Counties to provide support from the actual hourly rate the

Village paid for IT support in 2009, and then we multiplied this number by the projected number of support hours (20-month audit period multiplied by support hours in 2009) that would have been used during our audit period.

- We reviewed invoices and expenditure reports for the local governments to determine the cost for document indexing and used this number for the total savings that the local governments could realize, because Tompkins County plans to provide this service for free.
- We calculated the countywide savings in Schoharie County by multiplying the highest price paid for anti-virus licenses by units in our audit by the number of anti-virus licenses provided to the 22 units in Schoharie County. We then subtracted the actual cost of anti-virus licenses provided to the 22 local governments in the County.
- We calculated the countywide savings for Broome and Tompkins Counties by multiplying the average savings that could be achieved for support, anti-virus licenses, web hosting, and document indexing by the three units we audited in each County and multiplying these figures by the number of local governments within each County.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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