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December 21, 2012

Mayor Kevin Neary
Members of the Board of Trustees
Village of Richmondville
295 Main Street
Richmondville, NY 12149

Report Number: P4-12-28

Dear Mayor Neary and Members of the Board of Trustees:

A top priority of the Office of the State Comptroller is to help local government officials manage resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support 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 Board of Trustees governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

In accordance with these goals, we conducted an audit of three counties and seven local governments within these counties. The objective of our audit was to determine whether local governments can reduce information technology (IT) costs and/or enhance their efficiency through cooperative services. We included the Village of Richmondville (Village) in this audit. Within the scope of this audit, we examined the IT operations of Schoharie County, which provides IT services to the Village, and reviewed IT cooperation costs between Schoharie County and the Village for the period January 1, 2010, to August 8, 2011. In addition, we reviewed IT costs incurred by the Village during the period January 1, 2009, to December 31, 2009.

This report of examination letter contains our findings specific to the Village. We discussed the findings with Village officials and considered their comments, which appear in Appendix A, in preparing this report. Village officials generally agreed with our findings. At the completion of our audit of the three counties and seven local governments within them, we prepared a global report that summarizes the significant issues we identified at all of the units audited.

Background and Methodology

The Village is located in Schoharie County (County). Its budgeted operating expenditures totaled \$1.9 million in 2011 and were funded primarily through real property taxes and State and Federal aid. The Village is governed by a five-member Board of Trustees (Board). The Board's primary function is to provide general oversight of Village operations to ensure that necessary services are provided to Village residents.

The Village currently uses the County's IT Department for all of its IT needs except financial software. The Village paid only \$4,000 during the audit period for IT-related costs, which included computer equipment purchases and financial software licenses.

We examined intermunicipal cooperation for IT services and the Village's IT costs for the period January 1, 2010, to August 8, 2011. In addition, we examined IT costs incurred by the Village between January 1, 2009, and December 31, 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.

Audit Results

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. 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.

The Village saved \$1,800,¹ or 100 percent of costs they would have paid, in IT support costs during our audit period by using free services provided by the County.² Moreover, the Village has saved up to \$350, 100 percent of what they would have paid, by having the County provide anti-virus licenses.³ Furthermore, the Village realized additional savings by not having to pay for applications that the County provides. However, due to the vastly different needs of each local government and the complexities of different applications, a specific dollar savings could not be calculated for the additional savings that the Village realized.

¹ We projected the number of hours the Village would have used during our audit period if it had not used the County's IT support based on actual hours used in 2009, and multiplied this by the hourly support rate paid in 2009.

² The County provided the following services to the Village: document indexing, governmental contacts, public announcements, tax collection software, web-based utility billing software, web hosting, and IT support.

³ 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 Village in 2010.

Overall, this intermunicipal cooperation has saved Village taxpayers money. The many applications that the Village obtains from the County enable greater public awareness and ease of access to government information.

Sincerely,

Steven J. Hancox
Deputy Comptroller
Office of the State Comptroller
Division of Local Government
and School Accountability

APPENDIX A

RESPONSE FROM VILLAGE OFFICIALS

The Village officials' response to this audit can be found on the following page.

Village of Richmondville

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H. Todd Eames, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417

Dear Mr. Eames,

This letter is in response to the preliminary draft findings related to the audit of whether or not municipalities could reduce information technology costs (IT) and/or enhance efficiency through cooperative services in the Village of Richmondville as outlined in the New York State Comptroller's Report P4-12-28.

On behalf of the Village of Richmondville and the Board of Trustees, I wish to thank you again for your time and efforts in performing the recent audit of IT costs. The Village Board makes every effort to take advantage of any and all opportunities that would benefit our taxpayers. 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.

We appreciate the opportunity to respond to this audit report. The Village of Richmondville Board of Trustees and employees strive to make decisions that are in the best interest of our constituents. The findings of this audit confirm that we are able to provide necessary services without sacrificing the fiduciary responsibility we have to our taxpayers.

Sincerely,

Kevin P. Neary
Mayor

*Mayor – Kevin P. Neary ❖ Trustees – Natasha Foote, Imer Rivenburgh, Vincent Massarotti, Diana Cook
Clerk-Treasurer – Ashley Puro ❖ Village Superintendent – James Swartout*

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to evaluate whether intermunicipal cooperation for IT services between the County and other local governments resulted in cost savings. 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.

- We interviewed Village officials to gain an understanding of the type of IT services received from the County and obtained background information regarding the intermunicipal cooperation between the Village and the County for IT services.
- We reviewed the Village's 2011 adopted budget to document the Village's total budgeted expenditures and reviewed expenditure reports and invoices for the period January 1, 2009, to August 8, 2011, to determine the total amount the Village spent in 2009 and during our audit period for IT-related costs.
- We reviewed 2010 salary data from the County to determine the highest cost-per-hour of each position in the IT department that provided IT support, by taking the annual salary of the highest paid individual at each position and dividing by 52 weeks per year and 37.5 hours per week.
- We reviewed time tracking reports at the County from January 1, 2010, to December 31, 2010, to calculate the amount of time spent on IT support for each of the three positions in the County IT Department that provide support. We then calculated the total staffing cost to the County to provide this support by multiplying the time spent on IT support for each position by the highest cost-per-hour of each of the three positions.
- We calculated the average hourly cost for the County to provide support by dividing the total staffing cost to the County by the total number of hours spent on support in 2010, as reported in the January 1, 2010, to December 31, 2010, time tracking reports.
- We calculated the number of support hours that would have been used during the audit period by the Village if it had not used the County's IT support by projecting the number of hours used during the 12 months in 2009 onto our 20-month audit period.
- We calculated the total savings realized by the Village by subtracting the average hourly cost for the County 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 that would have been used during our audit period.
- We reviewed invoices and vendor history reports to determine the cost-per-anti-virus license for the County and each of the six local governments outside the County included

in our audit. We then subtracted the cost-per-anti-virus license of the County from the highest cost-per-license experienced by the six local governments and multiplied this number by the total number of anti-virus licenses used by the Village to determine the anti-virus license savings that the Village would realize.