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December 21, 2012

Ms. Martha Robertson
Chairwoman of the Legislature
Members of the Board of Legislators
Tompkins County
320 North Tioga Street
Ithaca, NY 14850

Report Number: P4-12-29

Dear Chairwoman Robertson and Members of the Board of Legislators:

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 the County Legislature's 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 Tompkins County (County) in this audit. Within the scope of this audit, we examined the IT operations of the County and reviewed its costs of providing IT cooperative services for the period January 1, 2010, to August 8, 2011. In addition, we reviewed IT costs incurred by three local governments (the Town of Caroline, Village of Dryden, and the Village of Groton) in the County during the same period.

This report of examination letter contains our findings and recommendations specific to the County. We discussed the findings and recommendations with County officials and considered their comments, which appear in Appendix A, in preparing this report. County officials generally agreed with our findings and recommendations and indicated they plan to initiate corrective action. Appendix B includes our comments on issues raised in the County's response letter. 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 County's budgeted operating expenditures totaled \$157 million in 2011. These are funded primarily through real property taxes and State and Federal aid. The County is governed by a 15-member Board of Legislators (Board). The Board's primary function is to provide general oversight of County operations to ensure necessary services are provided to County residents.

The County IT Department (Department) has 10 employees and had a budget of approximately \$1.1 million in 2012. The Department does not provide general IT support to its local governments. However, it does provide IT support to law enforcement and software programs to five local governments in the County and central dispatching software and support to all police agencies in the County. The County also shares geographic information system (GIS) software with the City of Ithaca (City) and will soon allow other local governments to access its document indexing software.

We examined intermunicipal cooperation for IT services and related costs of the County for the period January 1, 2010, to August 8, 2011. In addition, we reviewed IT costs incurred by three local governments in the County during the same period.

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 C 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.

Within the County, local governments use the same types of software to accomplish specific tasks. 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. 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, and document indexing to local governments within the County through intermunicipal cooperation would reduce IT costs.

The three audited local governments in the County could have saved between \$702 and \$6,936 each, for an average savings of \$3,063, during the audit period if they were able to use the County for IT support services.¹ This is the equivalent to saving between 49 percent and 80 percent of these local governments' total cost for IT support services. In addition, the three local governments could have each saved between \$46 and \$1,071, for an average of \$509, during the audit period if they used the County for anti-virus licenses² and document indexing services.³ This is equivalent to savings between 54 percent and 96.5 percent of the combined costs paid for anti-virus licenses and document indexing services.

Finally, the County and the City are each saving approximately \$7,037 per year by sharing GIS software.⁴ This savings is unique to the City because other local governments within the County do not currently use GIS software.

During our review of intermunicipal cooperation efforts between counties and their local governments, we found one county's IT department developed 10 applications which it provides to a total of 33 local governments and their affiliates at no cost. This county also provides IT support to all towns and villages within its borders. Similar to the relationship between this county and its local governments, Tompkins County should be able to provide IT applications and support to its local governments.

Even though local governments have varying needs for IT applications and other support services, the County has not worked with all of its local governments to explore the possibility of the County providing IT support and purchasing anti-virus licenses. According to the County's IT Director, the Department would need additional staffing resources to provide IT support and applications to local governments in the County. However, we did not take into consideration whether additional staff and associated costs would be necessary.

Overall, intermunicipal cooperation can save taxpayers money. Even without developing and providing 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.

¹ We subtracted the average hourly wage for the County employee that would provide IT support services from the actual rate paid for IT support by each of the three local governments we audited within the County. We then multiplied this difference by the actual number of hours used by each of these three local governments and averaged these three numbers.

² We subtracted the yearly price paid by the County from the price paid by each local government we audited within the County for each anti-virus license. We then multiplied this difference by the actual number of anti-virus licenses purchased by each local government we audited within the County.

³ We calculated the average cost for document indexing paid by the three local governments audited in the County to determine the average savings because the County did not plan to charge for this service. We recorded \$0 savings for local governments that either did not pay for document indexing services or that paid less than the fee charged by the County.

⁴ We determined the City would have purchased the exact same GIS software that was currently being used at the County if they did not share this service. The County's annual maintenance costs relating to the GIS software are \$14,073, of which the County charges the City for 50 percent, or approximately \$7,037.

Recommendation

1. The Department should work with other local governments in the County to explore the possibility of certain IT services, such as:
 - County-provided IT support
 - County-provided anti-virus licenses
 - County-provided document indexing.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Legislature to make this plan available for public review in the Clerk of the Legislature's office.

Sincerely,

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

APPENDIX A

RESPONSE FROM COUNTY OFFICIALS

The County officials' response to this audit can be found on the following pages.



Tompkins County Department of Administration

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Ithaca, NY 14850
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COUNTY ADMINISTRATOR
Joe Mareane
DEPUTY COUNTY ADMINISTRATOR
Paula E. F. Younger

"Promoting excellence in County operations while respecting the needs of the people we serve."

June 28, 2012

H. Todd Eames, Chief Examiner
State Office Building, Room 1702
44 Hawley Street
Binghamton, NY 13901

Dear Mr. Eames:

This is to respond to the May 12, 2012 draft, multi-jurisdictional fiscal audit regarding the feasibility of reducing information technology costs and/or enhance their efficiency through cooperative services. Tompkins County appreciates the work undertaken by your auditors and shares the goal of the report, which is to identify shared service opportunities that provide mutual benefits to all involved.

The draft audit found that three municipal governments within the County could have each saved between \$748 and \$8,007 by using the County for IT support and anti-virus protection. The report also found that the County and City of Ithaca are each saving approximately \$7,037 by sharing GIS software.

We wish to raise several responses to the audit, some of which are technical and others more broad-based.

With respect to technical concerns, we wish to correct the report's statement that the County's IT department has 14 employees. There are 9.5 full-time equivalent positions on the Department's budgeted 2012 roster.

We also wish to point out that the report concluded that very modest savings may be realized by municipalities, but did not fully account for the related costs incurred by the County—particularly in a very resource constrained environment in which County employees are already fully engaged. For example, the proposal for the County to serve as the IT support entity for municipal governments did not take into account that this role would require, at least occasionally, the direct hands-on involvement of County staff at the municipal workplace. In a county of some 400 square miles, this would represent a significant commitment of time, and therefore money, not considered by the auditors. This is just one example of costs, primarily in the form of labor costs, that would be incurred by the County to serve as IT support for localities. It is likely that these expenses would exceed the savings realized by those localities.

The County has also advised the auditors that with anti-virus software available to all local governments on State contract, the savings associated with procuring such software through the County are questionable.

Accordingly, in the two areas cited—using the county for general "help desk" support and to procure anti-virus software—the County does not believe that appreciable net savings would result.

See
Note 1
Page 8

See
Note 2
Page 8

More generally, and as was discussed with the auditors, the County agrees that economies of scale could result through shared IT services, but that such savings will be concentrated in systems infrastructure rather than labor-intensive systems maintenance.

For example, your report references document imaging as an area of exploration. In fact, Tompkins County is actively pursuing municipal use of a County document imaging platform. In that example, the County's role is to develop a centralized system infrastructure, with individual municipalities using the system to digitize and manage their records. A model such as this that has counties providing systems infrastructure supporting common municipal purposes (permitting, payroll, tax assessments and collection, etc.) seems the most likely to produce the highest benefit to governments and savings to taxpayers. .

Again, we appreciate the intention of the report and the professionalism of the staff assigned to conduct the fiscal audit. We hope that our input will assist your goal of finding ways to reduce the cost of government through strategic cooperation between governments.

Sincerely,

Jóe Mareane
County Administrator

Cc: Martha Robertson, Chair, Tompkins County Legislature
Greg Potter, ITS Director

APPENDIX B

OSC COMMENTS ON THE COUNTY'S RESPONSE

Note 1

We amended our report to reflect documentation provided by County officials during our exit conference discussion.

Note 2

We identified local governments that were purchasing anti-virus software at higher costs than the County was paying. These local governments could realize savings if their anti-virus software was purchased through the County or directly through State contracts.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to evaluate whether intermunicipal cooperation for IT services between the County and other local governments would result 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 reviewed the County's 2011 and 2012 adopted budgets to document the County's total budgeted expenditures, budgeted expenditures for the Department, and the number of IT staff.
- We interviewed the County's IT Director to gain an understanding of the type of IT services offered by the County, obtain background information on the Department's operations, determine which IT position would provide IT support if offered by the County, and determine what resources would be needed for the County to provide IT support to additional local governments.
- We reviewed County intermunicipal agreement documents for IT services offered by the County.
- We reviewed 2011 salary data to determine the cost-per-hour of the County IT positions that would provide support, if offered by the County, by taking annual salaries and dividing by 26 pay periods and 80 hours per pay period.
- We calculated the average support savings in the three local governments within the County by subtracting the average hourly cost for the County to provide support from the actual hourly rate paid for IT support in these three local governments, and then multiplied this number by the actual number of support hours received during our audit period.
- We reviewed invoices and expenditure reports to determine the cost-per-anti-virus license for the County and each of the three audited local governments in the County. We then subtracted the cost-per-anti-virus license for the County from the cost-per-anti-virus license for each of the three local governments and multiplied this number by the actual number of anti-virus licenses used by each local government to determine the average anti-virus savings.
- We reviewed invoices and expenditure reports for each of the three audited local governments in the County to determine the average cost for document indexing services.