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December 21, 2012

Mr. Jerry Marinich
Chair of the Legislature
Members of the Board of Legislators
Broome County
60 Hawley Street
Binghamton, NY 13902

Report Number: P4-12-33

Dear Chairman Marinich 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 Broome 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 Union, Town of Kirkwood, and the Village of Deposit) 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. 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 \$354 million in 2011. These are funded primarily through real property taxes and State and Federal aid. The County is governed by a 19-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 32 employees and had a budget of \$5.2 million in 2012. The Department does not provide general IT support to its local governments. However, it does provide central dispatching software/support to all police agencies in the County. In addition, the Department houses and supports the centralized fingerprinting database for more than 70 agencies in Broome and surrounding counties.

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 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.

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 \$4,419 and \$10,111 each, for an average of \$8,060, during the audit period if they had used the County for

IT support services.¹ This is equivalent to savings between 72 percent and 75 percent of these local governments' total costs for IT support services. In addition, the three local governments could have each saved between \$265 and \$4,161, for an average of \$1,584, per year if they used the County for purchasing anti-virus licenses² and web hosting services.³ This is equivalent to savings between 56 percent and 75 percent of the combined costs paid for anti-virus licenses and web hosting services.

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 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.

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 web hosting.

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.

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.

²We 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 subtracted the web hosting fee charged by the County to the City of Binghamton from the actual cost paid for web hosting services by each local government in our audit. We recorded \$0 savings for local governments that either did not pay for web hosting services or that paid less than the fee charged by the County.

We encourage the Board 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.



Broome County Division of Information Technology

Debra A. Preston, County Executive . Gerald R. Nicholas, Director

New York State Comptroller IT Audit Report Number P4-12-33

Broome County Response to IT Audit Recommendations

July 26th 2012

Our understanding of the high level recommendation:

Broome County municipalities could reduce info tech costs and/or enhance efficiency through cooperative consolidated shared services and related purchases.

Specific areas of focus:

Shared IT services – these include currently County wide implemented IT systems and processes in the areas of Payroll, Finance, Personnel, P.C. desktop, 3rd party software, telecommunications, networking, data warehousing and access administration.

Anti-Virus software – consolidated purchasing agreement for 3rd party software and licensing.

Web-Hosting - County hosting / administration of municipalities web sites.

Our response:

Shared IT services - 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.

Anti-Virus / firewall protection – Using a common purchasing agreement to acquire 3rd party Anti-Virus software / licensing can be accomplished by using existing State or County level licensing. Providing this information to the municipalities would cover this.

Web-Hosting – Similar to shared IT services, a "one size fits all" approach, using existing county servers, software and administration would be required to garner the savings and efficiencies driving the centralization.

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Broome County Division of Information Technology

Debra A. Preston, County Executive . Gerald R. Nicholas, Director

New York State Comptroller IT Audit Report Number P4-12-33

Broome County Corrective Action Plan

July 26th 2012

CAP Owner – Broome County IT Director

For recommendations on Shared IT Service and Web Hosting

To properly analyze and potentially institute the recommendations brought forward in the Broome County IT audit performed by the NYS Comptroller's office the following initial actions are required.

Timeline: within 30 days after approval

Schedule and hold a meeting with representatives of all Broome County municipalities outlining the audit findings and establishing contacts to work with for requirements gathering. Formal minutes will be sent out to all stakeholders, including the County Executive and Legislature.

Timeline: within 30 days after meeting

Create and send out a requirements document to the designated municipality representatives to capture their current systems / processes, volumes, 3rd party software, equipment and staffing.

Timeline: within 30 days after receipt of requirements document by municipalities

Municipalities will return completed requirements to Broome County for compilation, analysis and recommendations on how to proceed.

Timeline: within 45 days after receipt of completed requirements documents from the municipalities

Broome County will compile and analyze the information received.

Timeline: within 30 days of completion of the analysis

A follow up meeting will be scheduled and held with the municipalities to review and decide on next steps. Formal minutes will be sent out to all stakeholders, including the County Executive and Legislature.

Timeline: within 30 of publishing of the minutes:

A formal review with the Broome County Executive and Legislature will be scheduled and held to receive concurrence of the findings and approval to move forward with any proposed actions.



Broome County Division of Information Technology

Debra A. Preston, County Executive . Gerald R. Nicholas, Director

For the recommendation on Anti – Virus, 3rd Party Software and Licensing

Timeline: within 30 days after approval

Broome County IT will send out to all municipalities a current list of all known 3rd Party software, purchasing and licensing agreements, from both a County and New York State perspective.

Follow on information will be discussed and shared at the proposed Broome County and municipalities meetings as referenced above in the recommendations section for shared IT services and Web – Hosting.

Gerald R. Nicholas, IT Director Broome County

Jerry F. Mañinich, Chairman – Broome County Legislature

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 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 2010 and 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 web hosting services. We then subtracted the amount charged by the County to the City of Binghamton for web hosting services to determine average savings.