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December 21, 2012

Mayor John O'Connor
Members of the Board of Trustees
Village of Deposit
146 Front Street
Deposit, NY 13754

Report Number: P4-12-36

Dear Mayor O'Connor 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 Deposit (Village) in this audit. Within the scope of this audit, we examined the IT operations of Broome County, in which the Village is located, and determined whether there was any IT cooperation between Broome 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 same period.

This report of examination letter contains our findings and recommendations specific to the Village. We discussed the findings and recommendations with Village officials and considered their comments, which appear in Appendix A, in preparing this report. Village 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 Village is located in Broome County (County). Its budgeted operating expenditures totaled \$1 million in 2011, which 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 County IT Department (Department) has 32 employees and had a budget of \$5.2 million in 2012. The Department provides central dispatching software and support to all police agencies in the County and houses and supports the centralized fingerprinting database for more than 70 agencies in Broome and surrounding counties. The Village does not currently have a need for any of the services listed above. However, the Village could benefit from IT cooperation with the County for other IT services, such as general IT support and anti-virus licenses, which the Department does not currently provide to its local governments.

We reviewed IT costs incurred by the Village for the period January 1, 2010, to August 8, 2011. In addition, we examined the IT operations of the County and determined whether there was any IT cooperation between the Village and 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. Local governments within the County often use the same types of software; these similar business functions lend themselves to centralization. With one processing point housing the data and providing the software, the local governments benefit from economies of scale by sharing costs of equipment and services. For example, one county in our review (Schoharie County) provides 10 applications to 33 local governments and affiliates, and IT support to all towns and villages within its borders, at no cost.¹

The Village paid various vendors approximately \$24,000 in IT-related costs during our audit period, which included IT support, software and computer equipment purchases, annual maintenance fees, and anti-virus licenses. The Village could have saved approximately \$10,000,

¹ The applications include county clerk software, document indexing, dog licensing, governmental contacts, municipal backup, public announcements, tax collection software, web-based utility billing software, stand-alone utility billing software, and web hosting.

or 72 percent² of the Village's associated costs, on IT support³ and anti-virus licenses⁴ if it had used the County for these services. The possible aggregate savings could be greater with the potential expansion of intermunicipal cooperation between the County and its local governments. (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 other types of applications and services.)

Village officials were not aware of any intermunicipal IT services available at the County. According to the County's IT Director, the Department would need additional staffing resources to provide IT support and applications to more local governments in the County. (Our review did not include a determination of whether additional staff and associated costs would be necessary.) Nonetheless, the potential opportunities that exist for intermunicipal cooperation for IT services between the County and the Village can increase efficiency and enable greater public awareness and ease of access to government information. By sharing the costs of equipment and services, local governments can provide improved functionality and dissemination of information to their taxpayers and other parties.

Recommendation

1. The Village should engage in discussions with the County to determine if the County could provide certain IT services, such as:
 - County-provided IT support
 - County-provided anti-virus licenses.

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 Board to make this plan available for public review in the Village Clerk's office.

Sincerely,

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

² The Village paid \$13,895 during our audit period for IT support and anti-virus licenses (\$10,000 divided by \$13,895).

³ We multiplied the actual hours of IT support used by the Village during the audit period by the average hourly wage for the County employee that would provide IT support services. We then subtracted this number from the total cost paid by the Village for IT support during the audit period.

⁴ We compared the actual cost-per-anti-virus license paid by the County to the actual anti-virus license cost paid by the Village in 2010.

APPENDIX A

RESPONSE FROM VILLAGE OFFICIALS

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

VILLAGE OF DEPOSIT

146 FRONT STREET
DEPOSIT, NEW YORK 13754-1198
Phone (607) 467-2492
Fax (607) 467-2465

July 6, 2012

NYS Office of the State Comptroller
110 State Street
Albany, NY 12236-0001

RE: CAP and Audit Response Report #P4-12-36

Dear Sirs:

Please accept this letter as the Correction Action Plan as well as the Audit Response from our letter dated June 14, 2012.

CAP: In our audit conducted from January 1, 2010 to August 8, 2011 the Village spent \$24,000 in IT related costs. This included IT support, software, and computer equipment, anti-virus licenses, and annual maintenance fees. 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.

Audit Response: While \$24,000 seems excessive, we have contracted with a vendor that meets our needs almost immediately. There is very little down time. These expenses were for all Village departments. EMS, Fire Dept, DPW, Police, Clerk Treasurers Office, Mayor and Board, tax dept, water and sewer dept and the office of the Village Court. We are very pleased with our current vendor and will continue to use them. However, after our initial investment it did take a bit of time to get all departments using the same vendor thereby allowing more control over expenses. We do expect expenses to be less in the future.

If you have any questions, please do not hesitate to call my office.

Sincerely,

John J. O'Connor
Mayor, Village of Deposit

WEST BRANCH OF THE DELAWARE RIVER
WORLD CLASS TROUT STREAM

THE VILLAGE OF DEPOSIT IS AN EQUAL OPPORTUNITY EMPLOYER. Discrimination is prohibited by Federal Law. Complaints of discrimination may be filed with USDA, Director of Civil Rights, 1400 Independence Ave., SW, Washington, 20250-9410 or call (800) 759-3272 or TDD: 1-800-662-1220

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to evaluate whether intermunicipal cooperation for IT services between the County and the Village 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 interviewed Village officials to gain an understanding of the type of IT services received from the County and obtain background information on the Village's IT operations.
- 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, 2010, to August 8, 2011, to determine the total amount the Village spent during our audit period for IT-related costs.
- We reviewed 2010 and 2011 salary data to determine the cost-per-hour of the County IT position 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 support savings that the Village could realize by taking the hourly cost for the County to provide support and multiplying by the total number of hours of IT support that the Village received from vendors during the audit period. We then subtracted this number by the total amount spent by the Village for IT support during the audit period.
- We reviewed invoices and vendor history reports to determine the cost-per-anti-virus license for the County. We then subtracted the cost-per-anti-virus license of the County from the cost-per-license incurred by the Village and multiplied this number by the total number of anti-virus licenses used by the Village to determine the amount of anti-virus license savings that the Village would realize.