December 21, 2012

Mr. Harold Vroman
Chairman of the Board of Supervisors
Members of the Board of Supervisors
Schoharie County
County Office Building, Room 365
248 Main Street
Schoharie, NY 12157

Report Number: P4-12-27

Dear Chairman Vroman and Members of the Board of Supervisors:

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 Supervisors 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 Schoharie County (County) in this audit. Within the scope of this audit, we examined the County's IT operations and reviewed its costs of providing IT cooperative services for the period January 1, 2010, to August 8, 2011. In addition, we reviewed the County's application development costs for the period January 1, 2000, to December 31, 2006. We also reviewed IT costs incurred by one local government (the Village of Richmondville) in the County during the same period.

This report of examination letter contains our findings specific to the County. We discussed the findings with County officials and considered their comments, which appear in Appendix A, in preparing this report. County 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 County's budgeted operating expenditures totaled $64.7 million in 2011. These expenditures are funded primarily through real property taxes and State and Federal aid. The County is governed by a 16-member Board of Supervisors (Board). The Board's primary function is to provide general oversight of County operations to ensure that necessary services are provided to County residents.

The County's IT Department (Department) has nine employees and had a budget of $621,150 in 2012. Starting in 2000, the Department developed certain applications to be used by local governments and their affiliates. Over a seven-year period, it cost the County more than $1 million in staffing costs to develop all 10 applications[1] in use, some of which was funded by grant money. The County provides these applications to a total of 33 local governments and their affiliates at no cost. This includes 22 towns and villages, five school districts, two County-affiliated programs, and four other counties. In addition, the County provides IT support free of charge to all 22 towns and villages in the County, which cost the County approximately $20,000 for staffing and $1,035 for anti-virus licenses in 2010.

We examined intermunicipal cooperation for IT services and IT costs of the County for the period January 1, 2010, to August 8, 2011. In addition, we examined application development costs for the County between January 1, 2000, and December 31, 2006.

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.

Based on the 773 hours of IT support provided by the County, the local governments saved up to $85,000 or 81 percent of what they would have paid for IT support in 2010[2] and up to $2,400 or 70 percent of what they would have paid by having the County provide anti-virus licenses.[3] The

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[1] The County 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.

[2] 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.

[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 County in 2010.

local governments also realize 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.

Overall, this intermunicipal cooperation has saved taxpayers money in numerous local governments. The many applications that the County provides 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 COUNTY OFFICIALS

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

Stanley A. France, Jr., Director

Central Data Processing
P.O. Box 541
Schoharie, New York 12157
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June 21, 2012

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

Dear Sirs:

Thank you for the opportunity to respond to Report Number P4-12-27. As the factual errors were identified and fixed in the exit interview, those will not be addressed herein.

We are in agreement that your methodology was appropriate and yielded accurate findings. We would like to expand upon the benefits of a coordinated approach to design, development, and delivery and provide some general indications of realized cost savings that could not be identified without more extensive audits on your part.

While the majority of applications developed or acquired by the County support internal government operations e.g. jail management, there are several processes where government to government exchange of information takes place. For example, villages run water and sewer operations and bill residents for services. When these bills are delinquent at the end of the village fiscal year, the delinquent amounts need to be included in the village tax bills. As the County Real Property department produces those bills, instead of the village sending a paper list, and Real Property hand entering, this information can be sent and loaded electronically. The actual tax collection process is similar. In the past, the County would produce the tax bills, the town, village or school district would collect and file paper reports with paid and unpaid information. Originally, the county developed a tax collection program that would run on a PC and supplied that loaded with the local government information. The disc would be returned at the end of the tax collection period and loaded into the County system for its own delinquent tax processing. With the development of a web based tax collection application several steps in the process were eliminated.

One factor not identified in the audit was the use Schoharie County has made of external funding. When the County decided to redevelop its County Clerk System in the late 1990's, it applied for and received successive Local Government Records Improvement Fund grants to; develop functional specifications, design a flexible system, and acquire supportive equipment. The workflow and processing of several counties was studied and several of these counties were involved in the design process. This approach saved the County a significant amount of money on development cost and produced a low maintenance quality application Estimates we could come up with for a comparable commercial system run $65,000-$120,000 per year. Not only is Schoharie realizing these savings, but the other three counties using the system are also.

In 2007 and 2008 Schoharie county received grant funding from the same source to develop and implement the municipal back up system and to work with municipalities to develop cyber security policies respectively. The initial funding for acquiring and installing the virus protection software came from the second grant.

The County's web philosophy, as adopted in Board policy, recognizes the need for continuity across levels of government to assist the public in locating information. Consequently in the design process a conscience decision was made to use the look and feel of New York State's web site for the county and for all the included municipalities. This also resulted in our being able to develop the same tools for all users to post information on their sites and provides a single location for the public to register to receive email notifications of meetings, public announcements and document postings. Not only does this approach provide better public service, it saved the municipalities significant amounts on web development costs. Using the County's web server also saves municipalities web hosting costs. A local provider cost per year would be $660 times the 24 hosted sites saves local governments about $14,400 annually.

The County has been working with the State Office for Technology on a prototype for utilizing the State's single sign on approach so that a member of the public who has, for example, a My DMV account can also use that sign on to locate and access local government resources. As our public applications are enhanced for web access, better, more extensive, and more cost effective service delivery will be realized. Getting a handle on those cost benefits will be an interesting exercise.

Thank you for the opportunity to respond. We hope this helps demonstrate the value of government cooperation at several levels.

Sincerely for Schoharie County,

Stanley France
Director, Central Data Processing

Harold Vroman
Chairman, Board of Supervisors

cc Board of Supervisors

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 reviewed the County's 2011 and 2012 adopted budget to document the County's total budgeted expenditures and budgeted expenditures for the Department.

- We interviewed County IT staff to gain an understanding of the type of IT services they provide and for background information on the intermunicipal cooperation history for IT services.

- We reviewed 2010 salary data to determine the highest cost-per-hour of each position in the Department that worked on application development and 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 from January 1, 2000, to December 31, 2006 to calculate the amount of time spent on developing applications for the two positions in the Department that worked on application development. This was done by taking their individual percentage of hours worked on application development in the year 2010 and multiplying by the total number of hours spent on application development from January 1, 2000, to December 31, 2006, and from January 1, 2010, to December 31, 2010.

- We calculated the application development cost to the County by multiplying the calculated 2010 hourly wage by the calculated number of hours spent on application development from January 1, 2000, to December 31, 2006, and January 1, 2010, to December 31, 2010.

- We reviewed time tracking reports 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 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 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 the County included in our audit. We then divided the total amount spent on IT support by the total amount of hours to determine the highest average hourly rate for IT support paid by all local governments in our audit.

- We subtracted the average hourly cost to the County from the highest average hourly rate for IT support paid by all local governments in our audit and multiplied the difference by the actual number of hours spent on IT support in 2010 by the County, to determine the total amount of IT support savings realized by local governments serviced by the County.

- 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 County's cost-per-anti-virus license from the highest cost-per-license incurred by the six local governments and multiplied this number by the total number of anti-virus licenses provided to local governments by the County, to determine the amount of anti-virus license savings realized by local governments serviced by the County.