

EXECUTIVE SUMMARY

DEPARTMENT OF INFORMATION TECHNOLOGY

Purpose

The purpose of this audit was to evaluate the Department's financial and administrative practices. Our audit included a review of the Department's financial and administrative activities for the year ended December 31, 2001. These activities included overtime, telephone purchase and use, management information, and billing rates.

Results in Brief

The Department of Information Technology lacks effective financial and administrative controls in several areas. Administrative oversight is not adequate to ensure employee overtime is proper, timesheets are accurate, and telephone charges are appropriate. As a result, the State is subject to unnecessary expenses in these areas. In addition, the Department lacks the information it needs to oversee and coordinate its activities. In several areas information is not available for measuring, reporting, and monitoring performance. Furthermore, the Department continues to have difficulty billing for the cost of its services provided to user agencies. Many of these problems have occurred because management has not enforced existing controls or taken appropriate actions to resolve management information deficiencies.

Principal Findings

- The Department did not properly approve or monitor employee overtime. Of the 20 timesheets with recorded overtime we tested, the Department could not provide evidence that any overtime was approved in advance as required by state laws and internal procedures. In addition, 20 of 223 employees

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accumulated more than 120 hours of overtime without an agreement required by personnel regulations. Without advance approval, overtime can be abused and management may not be appropriately controlling employee workload. In addition, overtime controls are important because employees are paid time and one-half for each hour worked. During calendar year 2001, the Department paid employees about \$333,000 in overtime. (page 9)

- Management provided little oversight to employees in the Web Services unit to ensure timesheets were accurate and overtime was properly controlled. In calendar year 2001, the 5 employees in this unit recorded about 3,260 hours of overtime. As a result, these employees received more than \$131,000 (39%) of the overtime paid by the Department during the year. (page 10)
- Three Web Services employees did not record leave on their timesheets when they took time off to perform volunteer activities for the Nevada Division of Wildlife. We identified 5 instances, totaling 50 hours, where leave was not properly reported. Furthermore, these employees claimed overtime on their timesheets for some volunteer activities. Although these employees indicated they made up their time off by working additional hours at another time, we could not verify these claims because no records were kept. (page 11)
- Web Services employees improperly recorded overtime for working on weekends in all 67 instances we tested. These instances totaled about 133 hours of improper overtime, resulting in about 200 hours of compensatory time. Specifically, we identified 11 instances where overtime was claimed when it was not worked. In addition, we identified 56 instances where Web Services employees recorded more overtime than allowed by state personnel regulations. According to management, staff did not understand

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the state's call back regulations. These regulations allow an employee to be credited with 2 hours of call back at the rate of time and one-half only if the employee is called back to work on an unscheduled basis. (page 12)

- The Department was unable to provide supporting documentation related to the approval and purchase of cell telephones for 10 individuals we selected. In addition, the Department was unable to provide supporting documentation for four of five other cell telephone equipment purchases, totaling about \$1,200. These purchases were charged by employees directly to the Department's telephone account without preparing the required approval forms. (page 15)
- The Department has yet to obtain and analyze appropriate information regarding the decentralization of its programming services. In 2001, a pilot program was established to evaluate the impact of transferring programmer staff to user agencies. Despite a lack of information regarding the results of this pilot program, further decentralization has been proposed for fiscal year 2005. This proposal has serious risks because the pilot program failed to generate adequate information on the costs and benefits of decentralization. Because the financial impact to the State has not been analyzed, some overhead costs currently paid by the Federal Government may be shifted to the State. (page 16)
- The Department lacks readily available information for monitoring the performance of contractors who provide tens of millions of dollars in information services for the State. Therefore, management information is not available to monitor the status of vendor performance throughout the contract. Information regarding a vendor's past performance, timeliness of service, completion of deliverables, and individual programmer performance could help

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prevent problems and identify areas for improvement. (page 18)

- Complete information is not available regarding the Department's performance for the services it provides. In several areas performance measures are incomplete, out-of-date, or do not exist. Performance information is important to monitor operations for efficiency and effectiveness. In addition, government officials need performance information to assess program results, evaluate resource decisions, and communicate program accomplishments. (page 19)
- The Department has had difficulty developing a rate model to bill for the services it provides. Since 1998, seven contracts have been awarded to develop and monitor the rate model and prepare cost allocation plans. Despite these contracts, billing problems continue to occur. Significant variances exist between billed costs and actual costs. For example, 14 of the 35 rates generated billing variances greater than 40% from the cost of providing the service during fiscal year 2001. (page 22)
- Billing variances have created several problems. For example, some agencies have been overcharged for services they received and other agencies undercharged. As of June 30, 2001, Department budget accounts with overcharges totaled about \$5.2 million. In addition, budget accounts with undercharges totaled about \$4.6 million. Because the Department's costs are often charged to federal programs, the Federal Government requires repayment of its share of the overcharges. In August 2002, Department staff indicated the State was negotiating with the government to determine how much of the \$5.2 million must be repaid. (page 23)

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Recommendations

This report contains seven recommendations to improve management controls of the Department of Information Technology. These recommendations include approving overtime in advance and providing adequate supervision and review of work activities to ensure timesheets are accurate. In addition, we recommend cell telephone purchases be approved and procedures be developed to ensure travel reimbursements are appropriate. We also recommend management information be collected, analyzed, and reported to evaluate the decentralization of programming services and to monitor the performance of agency operations. (page 37)

Agency Response

The agency, in its response, accepted all seven recommendations. (page 31)