TO: The Honorable Chairman and Members of the Board of County Commissioners
FROM: Ken Burke, CPA
Clerk of the Circuit Court
Ex Officio County Auditor

SUBJECT: Audit of Business Technology Services (BTS) Internal Service Fund

DATE: November 19, 2009

For your review and filing in the Official Records, I am enclosing a copy of the report dated November 19, 2009 on the above-referenced audit.

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AUDIT OF
BUSINESS TECHNOLOGY SERVICES (BTS)
INTERNAL SERVICE FUND

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NOVEMBER 19, 2009
REPORT NO. 2009-16

*Regulated by the State of Florida
November 19, 2009

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted an audit of the Business Technology Services (BTS) Internal Service Fund. Our audit objectives were to determine if the BTS Cost Allocation Plan (CAP) is accurate, substantiated and appropriate; the reasonableness of the BTS Internal Service Fund accounting transactions and account balances; and if budgeted assessments for BTS services are reasonable and appropriate.

We conclude the Cost Allocation Plan (CAP) is a complex and labor intensive accounting exercise which customers (County government entities) are unable to relate the services they received to the costs they are charged. The CAP is not designed to represent services provided on a cost-reimbursement basis, but only to collect sufficient intergovernmental charges to cover the BTS annual budget. While the calculations are mathematically correct, the underlying methodology for allocating is flawed. As discussed in our report, the current CAP does not utilize a consistent method for assigning costs to pools and allocating those costs to customers. Several allocation units are based on management’s discretion instead of objective data. The inadequacies of the CAP coupled with ineffective administration of the Internal Service Fund has resulted in a fluctuating fund balance. The current allocation methodology needs to be discarded and a new model adopted that is aligned with the current environment to meet County-wide needs and ensure an equitable distribution of costs, while providing customers with useful information to make budgetary decisions based on objective costs for services. Opportunities for improvement are presented in this report.

We appreciate the cooperation shown by the staff of BTS during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Audit Services, Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

*Regulated by the State of Florida
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>4</td>
</tr>
<tr>
<td>Introduction</td>
<td>5</td>
</tr>
<tr>
<td>Opportunities for Improvement</td>
<td>13</td>
</tr>
<tr>
<td>1. The Cost Allocation Method Should Be Discarded For A Model Shaped From The Current Enterprise.</td>
<td>13</td>
</tr>
<tr>
<td>2. The BTS Cost Allocation Methodology Is Not Appropriate For The Current Environment.</td>
<td>18</td>
</tr>
<tr>
<td>3. The BTS CAP Does Not Measure The Actual Cost Of Providing Information Technology Services To Customers.</td>
<td>21</td>
</tr>
<tr>
<td>4. The BTS Cost Allocation Plan Source Documentation Is Inadequate.</td>
<td>22</td>
</tr>
<tr>
<td>5. Allocation Units Assigned To Several Cost Pools Are Subjectively Determined.</td>
<td>24</td>
</tr>
<tr>
<td>6. The CAP Does Not Provide Customers With Useful Information To Assist Them In Making Business Decisions.</td>
<td>27</td>
</tr>
<tr>
<td>7. A Significant BTS Fund Balance Surplus Exists.</td>
<td>31</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

We conducted an audit of the Business Technology Services (BTS) Internal Service Fund. The audit covered the distribution of technology costs to other County operations based on a Cost Allocation Plan (CAP). The CAP allocates over $22 million in costs annually. The objectives of our audit were to determine if the distribution of costs is accurate, appropriate and substantiated. We also determined the reasonableness of transactions, account balances and budgeting reasonableness.

We conclude that the current CAP does not utilize a consistent method for assigning costs and allocating those costs to customers. The current allocation methodology should be discarded. A new model should be adopted that is aligned with the current environment to meet County-wide needs and ensure an equitable distribution of costs.

The current BTS billing methodology has not been re-evaluated and updated since inception. The current process is complex and labor intensive. The results produced are meaningless to BTS customers, except that it is another bill they have no control over and simply must pay. The CAP's procedure for charging customers is not predicated on the use of appropriate allocation basis and, therefore, does not accurately allocate costs. Because of inadequacies in the Plan, the fund balance of the BTS Internal Service Fund fluctuates from year to year. For example, the balance steadily increased from approximately $2.3 million in Fiscal Year 2004 to a high of over $6 million in Fiscal Year 2007, but then declined more than $4 million between Fiscal Years 2007 and 2008. The Fund Balance in 2008 was approximately $2 million. This is a significant fund balance, and policies need to be developed for estimating the fund balance, along with policies establishing the appropriate amount of reserves to maintain.

Cost allocations of central service functions, such as BTS, are charged to other departments and agencies of the primary government. The goals are to measure the full cost of providing these services and to fully recover those costs through fees and charges. The cost allocation methodology employed by BTS does recover their total costs through the allocation; however, the BTS' actual costs of providing specific services are not measured.

The CAP does not provide customers with useful information to assist them in making business decisions. The BTS CAP is complex and confusing to most. This causes customers to challenge the costs they are billed, questioning their basis. The methodology employed does not provide customers information on how to obtain the same level of service at a lower cost. In addition, we surveyed several similarly sized local Counties to see how they account for their information technology costs to compare with the BTS methodology. Out of five Counties surveyed, only one uses an internal service fund as is used by BTS. The other County plans to discontinue the internal service fund next fiscal year. Most similarly sized local Counties use the County General Fund to support their Information Technology departments. In Fiscal Year 2008, approximately 82 percent of BTS funding already comes from the General Fund. The level of effort and cost to prepare the CAP may not be justifiable in the current environment since customers can not control their costs by changing their level of BTS usage; customers are dissatisfied with their cost and the level of detail provided and customer allocations do not reflect actual units of services provided.

Our report contains a total of 16 recommendations for improvement.
INTRODUCTION

Synopsis

The Business Technology Services methodology for billing County agencies does not provide the agencies with adequate information to make business decisions. The methodology has not been formally re-evaluated since it was adopted 30 years ago. As a result, time, effort and money are being wasted to create a document that serves no business purpose beyond recovering costs which could be accomplished in a more economical manner. The actual costs for providing specific services are not measured.

Scope and Methodology

We conducted an audit of the Business Technology Services (BTS) Internal Service Fund. The audit covered the distribution of technology costs based on the BTS Cost Allocation Plan (CAP) methodology and the BTS Internal Service Fund transactions and balances.

The objectives of our audit were to:

- Determine if the BTS CAP is accurate, substantiated and appropriate.
- Determine the reasonableness of the BTS Internal Service Fund accounting transactions and account balances.
- Determine if budgeted assessments for BTS services are reasonable and appropriate.

In order to meet the objectives of our audit we:

- Interviewed individuals responsible for collection and calculation of BTS cost data including BTS and the Office of Management and Budget (OMB) to obtain a clear understanding of the cost allocation process.
- Reviewed supporting expenditure documentation and the basis used for distributing costs to BTS customers.
- Evaluated the allocation methodology including surveying other similar sized Counties as a comparison.
- Examined the BTS Internal Service Fund balance and adjustments made to allocation amounts during the budgeting process.

Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Standards for Offices of Inspector General, and accordingly, included such tests of records and other auditing procedures, as we considered
necessary in the circumstances. The audit period was October 1, 2006 through March 31, 2008. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

The Cost Allocation Plan is a complex and labor intensive accounting exercise which customers (County government entities) are unable to relate the services they received to the costs they are charged. The CAP is not designed to represent services provided on a cost-reimbursement basis, but only to collect sufficient intergovernmental charges to cover the BTS annual budget. While the calculations are mathematically correct, the underlying methodology for allocating is flawed. As discussed in our report, the current CAP does not utilize a consistent method for assigning costs to pools and allocating those costs to customers. Several allocation units are based on management’s discretion instead of objective data. The inadequacies of the CAP coupled with ineffective administration of the Internal Service Fund has resulted in a fluctuating fund balance. The current allocation methodology needs to be discarded and a new model adopted that is aligned with the current environment to meet County-wide needs and ensure an equitable distribution of costs, while providing customers with useful information to make budgetary decisions based on objective costs for services. Opportunities for Improvement are included in our report.

Background

The Business Technology Services Department provides a high quality information processing environment responsive to:

- Data processing,
- Word processing,
- Office automation and
- Information management needs.

BTS provides technical staff support for the design, development, implementation and maintenance of information processing systems for key County agencies such as:

- Board Of County Commissioners
- Clerk of the Circuit Court
- Sheriff
• Supervisor of Elections
• Tax Collector
• Property Appraiser
• Sixth Judicial Circuit of Florida
• Public Defender
• State Attorney

BTS is governed by the Business Technology Services Board. This Board consists of two County Commissioners, the County Administrator, each Constitutional Officer, Chief Judge, Public Defender, and State Attorney. Pinellas County recently consolidated the former Information Technology Department and the BCC Information Systems department into a new, single Business Technology Services (BTS) Department effective October 1, 2008.

The BTS Internal Service Fund is used to account for the costs associated with operating an information processing environment in Pinellas County Government. Generally Accepted Accounting Principles (GAAP) notes:

That internal service funds are specifically designed for goods or services that are provided on a cost-reimbursement basis.

The purpose of an internal service fund should be to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges. Costs are allocated on a percentage basis to user departments through the BTS Cost Allocation Plan. The BTS budget for Fiscal Year 2008 is approximately $25 million with 175 permanent positions. The $25 million Budget is made up of $3 million from the internal service fund and $22 million from allocated charges. The $22 million of charges was allocated on a percentage basis to BTS customers in Fiscal Year 2008 as shown in Figure 1 below.
Using a cost allocation plan to distribute BTS costs to its customers (in the form of an internal service fund) originated as a method to create the BTS budget. The current CAP was initially developed and approved by the Data Processing Board, which is now the Business Technology Services Board. In the early 1980's (approximately 1983-1984), the BTS budget was funded by an annual cost plan, which estimated all costs in the new year to support the ongoing and proposed systems of BTS customers. This CAP was approved by the Board of County Commissioners and became the basis of the BTS budget request which was to be at least partially funded by customer charges assessed by the Finance Division.

In approximately 1984-1985, several customers whose significant projects appeared in the new BTS budget request declined to financially support those projects going forward. A mini crisis ensued, as those customers were unwilling to pay their fair share of the common data processing resources, and threatened to acquire their own resources. In response, the Clerk and Finance Director presented an outline of a plan to allocate data processing costs to the agencies based upon the actual use of resources used during the preceding year.

This is how the original version of the current CAP originated. However, at that time, the County's computing resources consisted of just one IBM Mainframe. Several measurements of Mainframe usage were used to allocate the cost of the Mainframe to BTS customers. This information was captured daily using a program which obtained all necessary
information for resource utilization. These allocations were to fund the following year’s budget of the BTS department. The Board of County Commissioners approved the concept and the recommendation for the retention of an independent accounting firm to design and implement the annual Cost Allocation Plan. The CAP has been prepared by an outside consultant under County supervision with Mainframe resource utilization statistics provided by Data Processing (currently BTS).

Over the years, as the technology environment has become more complex, the cost allocation plan has grown in complexity. When the current BTS Director, Paul Alexander, began with the County, he proposed to the BTS Board that they do away with the CAP and have the General Fund directly fund BTS. According to BTS, approximately 70% of BTS services are Enterprise Level Services such as:

- Network Telecommunications
- Helpdesk Customer Support
- Network Security
- Hardware Maintenance
- E-mail
- License Agreements
- Backup and Recovery

These enterprise costs are necessary for the County to run and thus having BTS funded from the General Fund, at least for these costs, makes sense. There was opposition and this method was not adopted. BTS has presented other simpler options of allocating technology costs to customers (per the request of individuals such as the County Administrator and Director of the Office of Management and Budget). Meetings have been held with the consultant (Maguire Associates of Virginia, Inc.) to find out how his other clients allocate costs. However, no one method is perfect and satisfies all parties involved. Thus, the original methodology adopted approximately 30 years ago is still being used today although the technology environment has undergone significant changes.

The current CAP process is depicted in Figure 2 below.
Minor differences due to rounding.

*This agency’s BTS cost allocations are funded by the Board of County Commissioner’s General Fund.

**This agency’s BTS cost allocations are funded by the Board of County Commissioner’s General Fund and Clerk’s fees.
An allocation from the County-wide CAP (BTS Indirect) is directly assigned to the General Administration cost pool.

- $1,165,274 represents the BTS share of County-wide administrative overhead costs. General Administration includes administrative expenditures including capital outlay and an allocation from the County-wide CAP and the Infrastructure Support Services cost pool.
- $4,502,713 represents General Administration which is internally allocated to the Programming and Infrastructure Support Services cost pools. The Programming cost pool includes expenditures for architecture, design and development services.
- $6,745,255 represents allocated costs to customers based upon the number of programmer hours spent per department served. The Infrastructure Support Services cost pool includes expenditures for server and network support, customer call center and machine processing.
- $16,835,675 represents the allocated cost to customers based upon a variety of allocation basis.

The $23,322,678 of total allocations result in a percentage split for BTS customers.

Once the CAP is complete, OMB makes adjustments to the amounts assigned to each customer in the CAP. The process begins with OMB adding a reserve (usually 2.5% of expenditures) to the BTS expenditure budget approved by the Board of County Commissioners. This results in the total BTS fund needs for a given fiscal year. Then, other sources of revenue and the beginning fund balance for the current fiscal year are subtracted from the total BTS fund needs to arrive at the cost allocation revenue needs. The difference between the BTS CAP amounts (two years prior) and the current fiscal year cost allocation revenue needs is calculated. OMB makes the ($835,128) adjustment to the CAP amounts to meet the BTS revenue needs of $22,487,550. The increased or decreased amount allocated to a customer results in the customer paying the same proportional amount as the CAP allocated to that customer (i.e., the ratio of customer usage is retained). The OMB adjustment is needed due to the CAP amounts being two years in arrears, and increases or decreases in BTS budget needs. See Figure 3 below depicting the timeline for the BTS budget process for Fiscal Year 2008.
Fiscal Year 2008 BTS Budget Preparation Timeline

- **7/1/2006**: OMB First Contact with Consultant
- **August 2006**: OMB Overseas Consultant Work
- **10/1/2006**: BTS Provides Info to Consultant
- **November 2006**: BTS CAP Complete
- **February 2007**: Initial BTS Budget
- **FYE 9/30/06**: BTS CAP Complete
- **February 2007**: Final BTS Budget
- **June 2007**: BTS Budget Presented to RCC
- **July 2007**: Final Approved FY 2008 BTS Budget
- **September 2007**: 10/1/2007

Figure 3
OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.


Since the BTS billing methodology has not been re-evaluated and updated since inception, the current process is complex and labor intensive and the results produced are meaningless to BTS customers, except that it is another bill they have no control over and simply must pay. The CAP:

- Does not provide customers with useful information to make business decisions.
- Does not fulfill the purpose originally envisioned by the creators.
- Does not provide a consistent method for assigning costs to pools and allocating those costs to customers.
- Contains several allocation units based on management discretion instead of objective data.

The CAP’s procedure for charging customers is not predicated on the use of appropriate allocation basis and, therefore, does not accurately allocate costs. The allocation basis used substantially affects the amount of costs allocated to various customers. Therefore, identifying and using the appropriate basis based on factual data is important in ensuring that costs are associated with the customer that received the benefits from which the costs are derived. The exclusion of properly allocating costs to user agencies receiving BTS services prevents accurate determination of the cost of information technology services for use in management decision making.

The labor involved to produce the Fiscal Year 2006 CAP required several individuals from three entities (BTS, OMB and Maguire Associates) to utilize data from sixteen separate reports to determine how much cost was to be allocated to each agency. Information from these reports was used to calculate ten separate cost pool totals and several allocation units as determined by BTS management analysis. The entire process to produce the Fiscal Year 2006 CAP and determine the final Fiscal Year 2008 BTS budget and agency allocation amounts took approximately 15 months as shown in Figure 3 on page 12.

The goal of utilizing an Internal Service Fund and CAP are to measure the full cost of providing services and to fully recover that cost through fees and charges. In addition, billing customers for services utilized fulfills the purpose of making the customer aware of the cost of information
technology. However, the inadequacies of the CAP and administration of the fund have resulted in dissatisfied customers and an Internal Service Fund balance that is not well managed. Additionally, since allocations to BTS customers are based on historical percentages not associated with current actual expenses incurred and services utilized, the fund balance of the BTS Internal Service Fund fluctuates from year to year. As discussed in Figure 10 on page 32, the balance steadily increased from approximately $2.3 million in Fiscal Year 2004 to a high of over $6 million in Fiscal Year 2007, but then declined more than $4 million between Fiscal Years 2007 and 2008.

One approach BTS can take is to adopt a service design methodology where additional services above enterprise services are billed directly to the customer. This billing structure would provide for a fair and equitable billing that provides for the payback of the costs incurred while providing customers the ability to regulate their costs through service level usage. The billing methodology for services should follow the same path the County has followed for standardizing purchases of vehicles, cellular phones and radios to avoid configuration, training, supplies and maintenance problems.

To accomplish the goals of implementing a new billing methodology such as a service design model, BTS must determine the actual cost of providing a specific service and establish a unit rate for that service. One of the first steps is to build a catalog of services offered by BTS. The Information Technology Infrastructure Library (ITIL) adopted by BTS provides guidance. ITIL Version 2 defines service catalog as a:

"Written statement of IT services, default levels and options."

ITIL Version 3 expands upon this concept and states:

"The Service Catalog is the only part of the Service Portfolio published to Customers, and is used to support the sale and delivery of IT Services. The Service Catalog includes information about deliverables, prices, contact points, ordering and request Processes."

ITIL Version 2, Service Delivery, 4.4.1 Produce a Service Catalog, speaks about the current situation BTS is in:

"Over the years, organizations' IT Infrastructures have grown and developed, and there may not be a clear picture of all the services currently being provided and the Customers of each. In order to establish an accurate picture, it is recommended that an IT Service Catalog is produced. Such a catalog should list all of the services being provided, a summary of their characteristics and details of the Customers and maintainers of each. A degree of 'detective work' may be needed to compile this list and agree it with the Customers (sifting through old documentation, searching program libraries, talking with IT staff and Customers, looking at procurement records and talking with suppliers and contractors etc.). If a CMDB or any sort of asset database exists, these may be a valuable source of information... The Service Catalog can also be used for other Service..."
Management purposes (e.g. for performing a Business Impact Analysis (BIA) as part of IT Service Continuity Planning, or as a starting place or Workload Management, part of Capacity Management). The cost and effort of producing the catalog is therefore easily justifiable. If done in conjunction with prioritization of the BIA, then it is possible to ensure that the most important services are covered first."

BTS and customers should work together to identify and prioritize projects for appropriate capacity planning and rate setting. Customers should be billed periodically (i.e., monthly) for services utilized. Using this type of model, enterprise services may be paid for by the General Fund since they benefit the County as a whole, and are overall, a fixed cost. Approximately 82 percent of BTS funds originated from the General Fund in Fiscal Year 2008 as shown in Figure 4 below.

*See the "FY 2008 BTS Budget allocation Funding Source" table below for details.
Figure 4
The new billing methodology adopted must meet the needs of BTS, County agencies and OMB. The billing methodology should be cost effective, promote efficient operations and provide agencies with useful information to assist them in making decisions. The current billing methodology does not promote competitiveness; therefore, BTS may not be operating in the most efficient manner. The current billing methodology also does not meet the needs of OMB, BTS or County agencies. Adopting a service design methodology would address their needs as follows:

- From OMB's perspective, customers of BTS services must be aware of the cost of those services. Having costs allocated to customers acts as a check and balance to ensure BTS expenditures do not improperly rise since their budget is approved by the Board of County Commissioners (customers of BTS). However, since customers do not know how to control their allocation due to lack of detail provided, this reason for having the CAP is not justified. Adopting a service design model, such as having enterprise expenses paid for by the General Fund and additional services paid directly by the customer, addresses OMB's concern to manage costs.

- From the BTS perspective, BTS needs to fully recover their costs and be the service provider of choice for County Agencies so the department has funds to operate and there are not technology compatibility issues or duplication of services. A service design model addresses their concern because a large portion of their budget can come directly from the General Fund and BTS will be able to only undertake projects they have the capacity and resources for and will be compensated by the benefiting Agency on a current basis. In addition, this type of model provides an incentive to County
agencies to stay with BTS for their information technology needs. BTS Services would be competitively priced, so agencies will not see the need to seek services from outside providers.

- From the customers’ perspective, they need to be provided adequate detail to make business decisions and only want to pay a fair and competitive amount for services they utilize. This type of model addresses their concern by reducing their technology costs and encouraging them to partner with BTS to ensure their needs are met.

Through the years, Pinellas County Government has built a strong relationship among its constituents. Particularly in the area of information technology, governance is strong, in which all stakeholders including BTS, the Business Technology Services and BCC boards, BTS customers and other departments have input into the decision making process. In choosing a new billing methodology, BTS must be careful to maintain this governance to ensure that BTS supports and extends Pinellas County’s strategies and objectives. The new methodology chosen should maintain the collaborative atmosphere among County agencies. In addition, in choosing a new approach, BTS should be cognizant to ensure economies of scale are maintained, benefits of having consolidated information technology services is retained, the BTS budget is fully funded and compatibility is preserved.

We recommend the following:

A. Ownership of the CAP continues with the BTS Board and that the Board adopt a new cost allocation methodology that adequately reflects their budget and operational requirements, governance requirements and the needs of their customers.

B. Development of a new CAP methodology should be cross functional in nature, led by BTS, but needs to at least include the Office of Management and Budget. The Division of Inspector General is also available to assist in an advisory role. The BTS Board will, of course, need to approve any new CAP methodology.

C. Consider a service design model where BTS enterprise services, those essential services provided to all agencies, such as network access and email, be funded through the General Fund.

D. Directly charge customers based on resources used or through a rate model in which customers can control their rate of use through incremental services such as programming and specialized equipment.

Management Response:

BTS agrees that a new model should be created. Our approach will be as follows:

- Build a cross functional team consisting of BTS, OMB and Audit Services staff.
- Produce a visual model of the current state, transition state and future state.
- Have the final proposed model recommended to the BTS Board by the team.
Upon approval of the proposed model, begin preparing for implementation of the transition stage.


The BTS cost allocation methodology evolved as the department changed rather than being developed and planned based upon the information technology structure. What has resulted is a CAP that is complex, resource intensive, and does not provide meaningful information to BTS customers.

The cost allocation plan has not been re-evaluated and updated to reflect the current environment. The original methodology adopted to allocate BTS costs to customers was based on utilization of a single mainframe computer directly connected to terminals. The current environment encompasses numerous computers, servers, phones, fax machines and printers, all connected over many networks. The evolution of the cost allocation plan through the past 30 years has resulted in an unbalanced cost allocation plan. The two major cost pools (Programming and Infrastructure Support Services) are uneven and use multiple allocation methods as shown in Figure 6 below. Given the years which have passed and the many technologies which have developed since the CAP methodology was adopted, re-evaluation is timely and prudent.
BTS must use an appropriate method to identify, assign, allocate and bill costs on a reasonable and consistent basis. ITIL, Service Delivery, 5.3 Developing the IT Accounting System, Section 5.3.2 Business Perspective, states:
"Organizations running as Recovery Centers are designed to account fully for all IT spend and recover it from the customers. These accounts include both cash and non-cash costs that, in effect, identify the full economic cost of running the business. The benefits of running as a Recovery Center (before Charging is considered) include improved cost control over service provision, recognition of true costs by Customers and consistency in approach by different organizations."

Section 5.3.7 Level of detail required in cost calculations, states:

“At all times, when performing a detailed cost analysis it is essential to ensure that the value provided by the answers is not outweighed by the costs of data collection and analysis. For most business driven Cost Models, apportionment should be firstly simple, secondly fair and thirdly accurate (if possible)."

Guidance is also provided by Federal OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” which states:

"The following suggestions should also be considered when developing a CAP:

- **Keep it Simple.** The simplest and least costly method possible, based on a measure of relative benefit received, that will produce an equitable allocation of costs to programs and cost categories, should be used.
- **Make it Replicable.** The process that is developed must be able to be duplicated at any time, and with changes in the organization or funding levels.
- **Simplify the Organizational Structure.** The organizational structure of the CAP should be made no more complicated than necessary to allocate costs.
- **Consider What is Required.** The required structure and capabilities of the accounting system must be considered in designing an operable cost allocation process.
- **Make Changes Prudently.** Changes in an organization's CAP that result in retroactive redistribution of costs to the benefitting cost objective are allowable where the change results in a more equitable distribution of costs. Such changes in allocation methodology should be rare, should receive the necessary prior approvals, and should be justified and well documented."

As the information technology structure grew and changed, the CAP approach was not re-examined. While the current CAP methodology provides a reasonably accurate picture of the total costs associated with BTS consumption, the problems associated with it, including the time, effort and labor resources required to sustain it, has made the methodology impractical and outdated. The level of effort and cost to prepare the Plan may not be justifiable in the current environment since customers are not provided with useful information to assist them in making business decisions and the methodology does not accurately reflect the fixed and variable costs associated with each service provided by BTS. Having the CAP reflect the actual costs of providing specific services and recovering those costs through a charge-back system is the basic purpose of an internal service fund.
We recommend that BTS revise the cost allocation methodology and plan to reflect the current environment. The review should determine the validity of the cost pool structure and allocation basis. The cost allocation methodology needs to address the fund balance issues discussed later in Opportunity for Improvement No. 7. Some possible alternatives to the current method to consider are:

A. Continue to produce a BTS CAP, but align the accounting system to the cost pools chosen so actual amounts can easily be obtained.

B. Fund BTS enterprise services directly through the General Fund. The CAP can still be produced for management use and federal grant purposes.

C. Simplify the allocation methodology; for instance, charge customers based upon User ID (total cost divided by number of users = price per user).

D. Directly charge customers using a “service catalog” type approach so customers can reasonably anticipate charges.

3. The BTS CAP Does Not Measure The Actual Cost Of Providing Information Technology Services To Customers.

Cost allocations of central service functions (internal services funds), such as BTS, are charged to other departments and agencies of the primary government. The goals are to measure the full cost of providing these services and to fully recover those costs through fees and charges. The cost allocation methodology employed by BTS does recover their total costs through the allocation; however, the BTS’ actual costs of providing specific services are not measured.

The purpose of the Pinellas County BTS CAP is to develop ratios of customer usage two years in arrears to be applied to the current BTS approved budget. In practice, this fully recovers the BTS costs, but does not act as a tool to measure how much service each customer actually utilizes. The actual cost of providing specific services is not known (fixed and variable cost). The accounting system does not accumulate costs in alignment with the CAP cost pools.

In Figure 2 on page 10, the Fiscal Year 2006 BTS Cost Allocation Plan Diagram shows the process. Actual expenditures (Fiscal Year 2006) are broken down into cost pools using various ratios (based on Fiscal Year 2007 budget amounts) to estimate how much expenditure is assigned to a service within the cost pool (i.e., Personal Services costs for Programming, Operating Expenses for the Network, etc.). The amounts within the cost pools are then allocated to BTS customers based upon an allocation basis (i.e., usage). BTS customers are charged for information technology services two years later based upon the CAP ratio - their proportion to the total amount of budgeted expenditures (i.e., in Fiscal Year 2008).
BTS customers do not have a clear understanding of the actual cost of information technology services. They are unable to manage their controllable costs through consumption and utilization to meet their budgetary constraints as previously noted in our report.

We recommend:

A. The cost allocation pools be aligned with the accounting system. This will enable BTS to more easily accumulate cost information for use in the allocation calculations.

B. Customers be provided with detailed usage and related cost information in sufficient detail to allow them to control their information technology allocation charges.

4. **The BTS Cost Allocation Plan Source Documentation Is Inadequate.**

Supporting documentation for costs included in the CAP cost pools was not well organized and a consistent methodology for assigning costs to the pools was not utilized.

BTS prepares spreadsheets with most of the amounts and information used in the CAP along with several other documents. These spreadsheets are used to calculate and create rate structures based on estimates, projections and other factors, including limited historical spending data. This is a time-consuming and labor-intensive process requiring BTS to gather information from a number of different sources in order to create appropriate estimates and projections. In general, the spreadsheets did not fully document, support and explain the amounts they contained. In addition, only one individual who retired and was rehired in the same position within BTS has the comprehensive background knowledge to explain the development of the calculations on the spreadsheets. The reliance on a single retired employee is a significant risk and concern to the continuation and consistency of the CAP. Written procedures are needed to explain spreadsheet calculations and information sources to reduce the dependency of the CAP on one person.

We used these documents to trace the amounts allocated in the Fiscal Year 2006 BTS CAP back to the source documentation to determine if the amounts were accurate, substantiated and appropriate. This process was difficult and time-consuming for a number of reasons.

A. Many of the amounts in the spreadsheet were calculations; however, the calculations were not always supported by formulas.

B. The spreadsheets did not contain referencing and it was difficult to determine what certain amounts represented.

C. Some of the percentages used to calculate amounts were not supported by documentation. These percentages were obtained through "management analysis" as explained later in this report.
D. There are no separate cost centers correlating to the cost pools, all expenses are lumped together in the BTS fund. Therefore, it was difficult to break the expenses in the budget and other documentation into the cost pools.

The full CAP amount allocated reflects the actual total expenditure of $23,322,678 by BTS in the sampled fiscal year, 2006. However, the amounts assigned within each cost pool do not accurately reflect the actual expenditures for those cost categories. Detailed examples are explained in the bulleted items below.

- **Actual Personal Service costs** for BTS General Administration, BTS Programming and Infrastructure Support Services are not identified and used. Instead a ratio is used based on budgeted numbers to assign total Personal Services costs to the cost pools (ratio times actual). This methodology has been employed for years and is easy for BTS since the budget is prepared shortly before this information is needed by the consultant. In addition, since the timekeeping system (InfoMan) data could not be relied upon because it was used inconsistently by staff (to record their hours spent on tasks), actual Personal Services cost information is not readily available. The new Personnel time reporting system (Clarity) can provide extensive time accounting capabilities to accomplish the objective of identifying and using actual personal service costs in the CAP. However, staff must consistently utilize the application.

- **Actual Operating Expenses** for BTS Programming and Infrastructure Support Services are not identified and used. Instead, a ratio is used based on budgeted numbers (same methodology as used for assigning Personal Services costs).

  - **Programming - For Operating Expenses**, a ratio of Personal Services expenses is used to determine Operating Expenses; however, in this case the ratio of Programming (71%) was not followed. CJIS was assigned the total of expenses budgeted for contract staff and the balance of total expenses assigned to Programming (64%).

  - **Infrastructure Support Services - For Operating Expenses**, a ratio of Personal Services expenses is used to determine Operating Expenses; however, this methodology was not used for all categories. FIS was assigned an Operating Expense of $14,976. Although Enterprise Services is 39% of the total, $1,482,654 was assigned, which is 41%, since BTS believed it would be more appropriate after review of budgeted expenses.

- **General Administration Operating Expenses** are calculated differently than Programming Operating Expenses and Infrastructure Support Services Operating Expenses. This results in an inconsistent application of using a ratio based on budgeted numbers for determining the amount of Operating Expense to assign to the cost pools. Programming and Infrastructure Support Services use this methodology, which is consistent with the methodology used to determine Personal Services cost assignment. However, General Administration does not follow this methodology.
Instead, just the operating budget amount for the following fiscal year is used to assign Operating Expenses to the General Administration cost pool.

- **General Administration Machinery and Equipment**, the difference between Fiscal Year 2006 actual capital outlay and Fiscal Year 2007 budgeted capital outlay is accounted for instead of Infrastructure Support Services just using actual Fiscal Year 2006 amounts since it was greater than the Fiscal Year 2007 budget. BTS stated they were staying consistent with the methodology of using budget amounts even though they diverted from this methodology for calculating General Administration Operating expenses.

The accounting cost centers used to accumulate expenditures do not align to the cost pools in the CAP. The cost pools should be created as meaningful categories of indirect costs to be allocated to the customers of BTS services. Cost structures should be defined to support established cost allocation and cost accounting objectives. This may include organization, business units, products/services, customers and application systems. Cost structures such as the general ledger chart of accounts will need to be built into the BTS resource accounting applications.

Customers of the BTS CAP can not effectively trace costs from a payment voucher through to the intergovernmental charge. Without a clear understanding of how costs are accumulated, assigned to a cost pool and allocated to customers, there is no reliable basis for making decisions. In addition, inconsistent methodologies used for assigning costs to the pools results in lack of adequate information to be used for comparative and analytical purposes.

**We recommend BTS:**

A. Clearly document, support and explain the spreadsheet calculations used by the consultant to prepare the CAP.

B. Review supporting calculations to ensure they are clearly referenced to information sources and formula calculations are fully described.

C. Develop a policy to outline documentation expectations for future rate development.

D. Review these spreadsheets for completeness, since they will represent the baseline for future CAP comparisons.

**5. Allocation Units Assigned To Several Cost Pools Are Subjectively Determined.**

Estimates rather than actual measurements are used to allocate a majority of the costs. The basis selected to allocate BTS costs in the Fiscal Year 2006 BTS CAP are reasonable and most represent the best measure of the relative degree of benefit; however, the underlying data for applying that basis to allocate costs within a cost pool are not reliable. Management
knowledge and discretion is used to determine the allocation units for Server, Enterprise Network and Customer Support sub-cost pools. These allocation units directly affect how much cost will be allocated to the customer.

Our analysis shows that over half of the Fiscal Year 2006 BTS costs allocated to customers are allocated based upon utilization determined subjectively by management knowledge and discretion instead of objective measurements. As shown below in Figure 7, 53% or $12,276,995 of the total $23,322,678 Fiscal Year 2006 BTS allocation was divided amongst payers using allocation units determined by management knowledge and discretion which includes the allocation of Server, Network and Customer Support expenditures.

![Pie chart showing allocation percentages](image)

Figure 7

The table below lists the different allocations that are done on the basis of “management discretion.”

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servers</td>
<td>$4,939,956</td>
</tr>
<tr>
<td>Enterprise Network</td>
<td>$3,691,974</td>
</tr>
<tr>
<td>Customer Support</td>
<td>$3,645,065</td>
</tr>
<tr>
<td>Total</td>
<td>$12,276,995</td>
</tr>
</tbody>
</table>
For Server costs, the allocation basis is "Support Allocation Totals Per Dept.," which are sourced from the “IT - Server Support Allocation by $ Amount Report.” This report is prepared by management based on the budget and management knowledge. The allocation basis selected is reasonable because it provides for an equitable distribution of costs related to the utilization of server resources. However, “management knowledge” of utilization to create the ratios is not the best measure since it is very subjective. A more objective approach to determining allocation units would be to charge based on the central processing unit (CPU) and/or disk storage used by the server. Knowledge of whether the applications running on a particular server are more compute oriented or storage oriented is necessary. For applications that are compute heavy, CPU would be the best cost driver. For applications that use substantial amounts of disk space, the disk would be the most appropriate cost driver. For database servers, it is best to capture database statistics and utilize these units in the cost allocation process. Since desktop costs are included in the Server sub-cost pool, and these are a dedicated resource to the user, the cost of these systems can be directly charged to the appropriate customer. If desktop includes the cost of enterprise software license agreements, which are often based on the number of users, these costs can follow the same formula and be allocated on a per user basis.

For Enterprise Network costs, the allocation basis is "Percentage of Hours Spent," which are sourced from the “Cost Report Listing.” The “Cost Report Listing” is not an actual report output by a system. These percentages are determined by "management discretion." The allocation basis selected is reasonable because it provides for an equitable distribution of costs related to the utilization of the network. However, "management discretion" to determine the percentages is not the best measure since it is very subjective. A more objective approach would be to allocate network costs based on the data traffic (bandwidth) used. Measures such as the committed information rate and port size are considered reliable measures of traffic.

For Customer Support costs, the allocation basis is "Percentage of Support Time Per Department," which are sourced from the “IT - Customer Support Summary Schedule.” The “Customer Support Summary Schedule” is not an actual report output by a system. These percentages are determined by "management discretion." The allocation basis selected is reasonable because it provides for an equitable distribution of costs related to the utilization of the customer support center staff time. However, "management discretion" to determine the percentages is not the best measure since it is very subjective. A more objective approach would be to track number of customer calls or amount of time spent per ticket. BTS has the capability to accumulate this data through the Service Desk and will be using the information in the future for allocation of customer support costs.

BTS is not accumulating the necessary data to objectively assign allocation units for Server, Enterprise Network and Customer Support; therefore, the CAP does not provide an accurate and reliable measure of actual usage by BTS customers. Therefore, customers may be improperly burdened with BTS costs by being under or overcharged.
We recommend the new allocation basis chosen have allocation units that are a reliable metric capable of being captured without interruption on a regular on-going basis. They should accurately track any increase or decrease in costs contained in the cost pool.

6. **The CAP Does Not Provide Customers With Useful Information To Assist Them In Making Business Decisions.**

The BTS CAP is complex and confusing to most. This causes customers to challenge the costs they are billed, questioning their basis. The methodology employed does not provide customers information on how to obtain the same level of service at a lower cost. An independent consultant, BT Professional Services, performing a BTS consolidation study, concurred with our findings in their Technology Consolidation Assessments Final Report issued May 27, 2009, by stating:

> "The disparity between the actual method [CAP methodology] and the understanding of the process distracts Constitutional offices from proactively performing operational diligence."

We surveyed BTS customers to gain their perspective on the CAP. From the customer's perspective, the CAP does not represent the current environment and does not provide them with information to make informed decisions regarding information technology:

**BTS Customers Surveyed**

- Animal Services
- Construction Licensing Board
- Environmental Management
- Human Resources
- Public Defender
- Sixth Judicial Circuit Court
- Sheriff
- Supervisor of Elections
- Tax Collector
- Utilities

A. Customers understand what overall services they are paying for; however, they can not relate how much they are charged for any of those services. They do not understand the methodology used and the detail provided to allocate BTS costs in the BTS CAP. Most customers view the allocation as just another bill they must pay and do not feel the methodology used serves a business purpose. Customers would like to see detail and a clear explanation on the methodology. The majority of customers were quoted as saying, "It is just a bill we pay."
B. Customers can not reasonably relate their BTS cost allocation to their major information technology systems and functions (i.e., local area network, server, backup, email, internet connection, Microsoft Office, etc.) because of the lack of detail provided.

C. Customers can not determine how changes to their information technology structure would impact their BTS allocation due to lack of detail provided. According to OMB website’s FAQ’s on cost allocations, departments are instructed to "Manage the controllable costs" in order to manage their allocation charges. However departments do not know their controllable costs.

D. Customers offered suggestions on the basis or format (methodology) for the allocation charges.

- BTS Business Relationship Managers work with customers to project BTS charges so the customer can budget how much they would like to spend and BTS set their budget according to the services their customers are requesting.
- BTS provide adequate detail on what invokes a cost and how much a particular service at a given level will cost (i.e., the fixed and variable components of a given service).
- BTS provide a mid-year report so customers have some clue as to what their charge will be and they can budget accordingly.
- CAP amounts be based on current information, not based on usage from two years prior.
- The CAP be broken down by meaningful service types, such as Telecommunication, Network and Security. This would provide customers with the information needed to make informed decisions and help with budget justification. This would also allow customers to analyze services to determine if it is more cost effective to change those services or to seek those services from an outside provider.

E. Customers shared their views on what problems they see with the CAP:

- There is no "buy-in" from BTS customers, which could result in customers seeking information technology services elsewhere.
- The current CAP does not promote efficiency. There is no negotiation between BTS and its customers, and BTS has no internal competition.
- There is no "synergy;" BTS and its customers working together towards a common goal to build the future.
- The CAP serves no business purpose from the customers’ perspective and is merely an accounting exercise.
- Using BTS expenses from two years prior is too long of a time lag and does not allow customers to plan effectively because of the disconnect.
- BTS services may not be fully utilized by customers, because if customers do not know how their usage will impact their allocation, they may think twice before asking for services.
• Departments under the BCC, as well as the Justice Agencies, do not see their allocation, so have no incentive to try to control costs or analyze how changes in their information technology infrastructure would impact that allocation.
• As shown in Figure 2 (in the Background Section), the Property Appraiser does not pay a BTS allocation. Due to an interdepartmental agreement with the BCC, the Property Appraiser's allocation is absorbed into the BCC allocation. This is viewed as unfair and inequitable in other County Agencies' opinion.

In addition, we surveyed several similarly sized local Counties to see how they account for their information technology costs to compare with the BTS methodology. Out of five Counties surveyed, only one uses an internal service fund, which will be discontinued next fiscal year. The differences in methodologies used by similarly sized local Counties are:

**Counties Surveyed**

Broward  
Hillsborough  
Miami-Dade  
Orange  
Palm Beach

1. Most similarly sized local Counties use the Countywide General Fund to support their Information Technology departments. As shown in Figure 8 below, in Fiscal Year 2008, approximately 82 percent of BTS funding already comes from the General Fund.

2. Palm Beach was the only County surveyed that uses an internal service fund for Information Technology, and also uses a similar methodology as Pinellas County for allocating costs to customers. A cost allocation plan is prepared using cost pools to accumulate costs and allocating based on usage or headcount. However, Professional Services (i.e., Programming) is billed directly to the customer at a set hourly rate when the customer initiates a request for work. For Fiscal Year 2010, Palm Beach Information Systems Services will operate as part of the General Fund; for budgeting purposes a cost allocation plan will continue to be prepared.
FY 08 Funding Source for BTS

Other Funds, 3,951,070, 18%

General Fund, 18,536,480, 82%

*See the "FY 2008 BTS Budget allocation Funding Source" table below for details. Figure 8

<table>
<thead>
<tr>
<th>Agency</th>
<th>Funded By</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice Agencies</td>
<td>General Fund</td>
<td>$8,359,550</td>
</tr>
<tr>
<td>BCC</td>
<td>General Fund</td>
<td>$6,781,040</td>
</tr>
<tr>
<td>Clerk of Circuit Court</td>
<td>General Fund</td>
<td>$1,945,260</td>
</tr>
<tr>
<td>Sheriff</td>
<td>General Fund</td>
<td>$780,050</td>
</tr>
<tr>
<td>Tax Collector</td>
<td>General Fund</td>
<td>$622,090</td>
</tr>
<tr>
<td>Supervisor of Elections</td>
<td>General Fund</td>
<td>$35,080</td>
</tr>
<tr>
<td>Personnel</td>
<td>General Fund</td>
<td>$13,410</td>
</tr>
<tr>
<td><strong>Sub-Total (General Fund)</strong></td>
<td></td>
<td><strong>$18,536,480</strong></td>
</tr>
</tbody>
</table>

| Clerk of Circuit Court      | Clerk of Circuit Court | $2,243,500     |
| Utilities                   | Utilities             | $1,707,570     |
| **Sub-Total (Other Funds)** |                 | **$3,951,070** |

| Total                       |                 | **$22,487,550** |

Figure 9
The CAP methodology used should have a business purpose and that purpose communicated clearly to BTS customers. If the purpose of preparing the CAP is to inform customers of the cost of BTS services they utilize, this purpose is not being met with the current CAP. The complexity of the CAP and the lack of detail provided leaves customers’ unequipped to make information technology decisions. Under the current methodology, detailed cost information would need to be tracked and reported for customers to understand and manage their controllable costs. If BTS changes their methodology, that level of detail would not need to be tracked.

The level of effort and cost to prepare the CAP may not be justifiable in the current environment since customers can not control their costs by changing their level of BTS usage; customers are dissatisfied with their cost and the level of detail provided and customer allocations do not reflect actual units of services provided.

**We recommend BTS:**

A. Revise the Cost Allocation Plan to provide useful information on the charges to the customers.

B. Take the previously mentioned customer suggestions into consideration to give customers the information necessary to make business decisions related to information technology.

**Management Response:**

It should be noted that the Counties compared to in item 6 are similar in size, but their technology governance model is not the same as Pinellas. This difference significantly and directly impacts their funding structure. While the audit does not (and was not intended to) address governance, it's worthy to note that we do believe the Pinellas model for governance is an industry best practice, and the direction we will be proceeding for the funding model will support that.

**7. A Significant BTS Fund Balance Surplus Exists.**

The BTS Fund Balance had accumulated approximately $6 million between Fiscal Years 2004 through 2007 with a significant decrease to approximately $2 million in Fiscal Year 2008 as shown in Figure 10 below. The cost allocation methodology employed to recover costs is causing huge fluctuations in the fund balance rather than maintaining a balance at a reasonable level.
The County uses an Internal Service Fund for allocating the costs of the BTS central service function. The cost allocation of the BTS function is charged proportionally to other funds, departments and agencies of the primary government. The goals are to measure the full cost of providing the central service and to fully recover that cost through fees and charges. The Internal Service Fund balance is affected by any differences between the actual costs incurred and charges collected.

Pinellas County budget policies provide general guidance on reserve accounts and state that 5-15% of operating revenues, or one to two months of operating expenditures, is reasonable, although there is no specific guidance for internal service funds. In addition, Federal OMB Circular A-87, Title 2 Code of Federal Regulations 225 – Cost Principles for State, Local, and Indian Tribal Governments provides guidance on fund reserves. Appendix C State/Local-Wide Central Service Cost Allocation Plans states:

"G. Other Policies, 2. Working capital reserves. Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital
reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable."

The purpose of maintaining a reserve is to provide for an adequate working capital reserve. The County utilizes the accrual basis of accounting for the Proprietary Funds in which revenues are recognized in the period earned and expenses are recognized in the period that the liability is incurred. Budgets presented for proprietary funds use the modified accrual basis of accounting. This method, which is not in accordance with Generally Accepted Accounting Principles (GAAP), does not include depreciation and amortization in budgetary statements since these do not use spendable resources. Analysis of the BTS Internal Service Fund Balance shows the percentage of Total Net Assets (Deficit) Ending to Operating Revenues and Operating Expenses for Fiscal Year 2004 through 2008 range from approximately 8% to 25%. For Fiscal Years 2004 through 2007, these percentages are not in the reasonable range of 5 to 15% as stated in Budget policies.

Any BTS fund balance that remains above what was budgeted for can either:

1. Be re-appropriated by BTS for use in the next budget year (this requires a Board of County Commissioners resolution), or

2. Be used to reduce charges to customers so a surplus does not accumulate.

Since BTS is an independent agency, OMB does not have control over what they spend. If BTS does not start or finish a project during the fiscal year, money appropriated for that purpose may be left over in the fund. By OMB reducing the amount charged to customers by the excess amount budgeted to be left in the fund, the fund balance surplus is controlled. This methodology is sound; however, in operation, the amounts are not correct and the methodology does not accomplish this.

For instance, the Fiscal Year 2007 Beginning Fund Balance ($1,260,640) on the "Fiscal Year 2005 IT Plan to Fiscal Year 2007 IT Budget" worksheet as computed by OMB is not the true fund balance. According to the Consolidated Annual Financial Report (CAFR), Fiscal Year 2006 Combining Statement of Revenues, Expenses and Changes in Net Assets for the BTS Internal Service Fund, the amount is $6,148,040. According to OMB, the $1,260,640 is the computed estimated Fiscal Year 2007 budgetary beginning fund balance (calculation made in February of 2006). The ending fund balance of Fiscal Year 2005 is adjusted back to the modified accrual basis of accounting (budgetary) from full accrual (CAFR GAAP) and then the Fiscal Year 2006 estimated fund activity is added and subtracted to estimate the Fiscal Year 2007 beginning fund balance. The Consolidated Annual Financial Report (CAFR), Fiscal Year 2005 Combining Statement of Revenues, Expenses and Changes in Net Assets for the BTS Internal Service Fund amount was $4,755,026. Even taking out the $1,298,759 of depreciation, the balance is still no where close to the $1,260,640 as estimated by OMB. The following table illustrates this disparity, especially considering the prior year’s balance.
IT Beginning Fund Balance - Actual to Estimated

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Previous Year</td>
<td>$4,755,026</td>
<td>CAFR FY05</td>
</tr>
<tr>
<td>Actual Fund Balance FY07</td>
<td>$6,148,040</td>
<td>CAFR FY06</td>
</tr>
<tr>
<td>OMB Estimate FY07</td>
<td>$1,260,640</td>
<td>OMB FY05 IT Plan to FY07 IT Budget</td>
</tr>
</tbody>
</table>

If the purpose of reducing the amount charged to customers (allocated BTS costs) by the amount in excess of that budgeted to be left in the fund (reserve) is to control surplus fund balance (that has not been re-appropriated), in practice, estimating the beginning fund balance may not accomplish this in the short-term.

OMB’s estimate of the beginning fund balance for the BTS Internal Service Fund is not accurate and severely underestimated for the timeframe analyzed. Therefore, the reduction in the amount charged to customers by the amount in excess of that budgeted to be left in the fund, does not adequately control surplus fund balance.

We recommend BTS:

A. Work with OMB to set policies for the Internal Service Fund balance.

B. The actual BTS fund balance should be used to calculate an appropriate reserve amount.

C. BTS customers’ cost allocations be adjusted accordingly.

Management Response:

Prior to Fiscal Year 2008-2009, annual BTS appropriations were budgeted in a single cost center. That budget included ongoing operating costs, as well as planned multi-year project expenditures. While each fiscal year’s budget is planned to use all appropriations and maintain a minimal fund balance, as the actual year progresses some multi-year projects are delayed or cancelled as needs change. The variations in ending fund balance of the BTS fund are caused by the nature of planning for multi-year projects. Instead of those funds being spent just to meet the budget, those unspent funds instead lapse to fund balance at the end of the year and can only be re-appropriated by approval of the Board of County Commissioners. The action to re-appropriate unanticipated funds occurs only two times each year, during the formal budget development and adoption process, and during the first quarter of the fiscal year by budget resolution of the Board of County Commissioners. From Fiscal Year 2008-2009 forward, the BTS budget is separated into ongoing operating costs and project costs, to make the multi-year project costs more visible.