

# Regional Computer Center

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December 2007



**Internal Audit Division  
Office of the City Manager  
City of Cincinnati**

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Internal Audit Manager**

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## **Executive Summary**

This report examines and evaluates the Regional Computer Center (RCC) to ensure Fund 702 is being properly accounted and expended for, the computer room costs are appropriately allocated, the Help Desk is being utilized in the most cost efficient method, and that RCC is utilizing the most effective billing process.

The current Cost System and Billing at RCC has been in place for 16 years and is no longer adequate to meet their customer needs. The reconciliation process at the beginning of each year takes approximately three months to complete, and the bills for those months cannot go out until the reconciliation process is complete. Therefore, bills for January through March are not distributed until April. This makes it difficult for customers to determine what services were provided by RCC to ensure their bill is correct. Overall, RCC customer satisfaction is low.

The Help Desk provides users with a central point to receive help on various computer issues. The Help Desk at RCC is designed to assist both County and City employees who need computer support. However, IAD found that the Help Desk at RCC was split up due to a management decision; and with a limited staff can no longer provide 24/7 technical support needed by the employees. This has caused other City departments such as Water Works and the Metropolitan Sewer District to create their own Help Desks. RCC has failed to determine if having multiple Help Desks throughout the City is the most cost effective method for the City as a whole.

The Customer Service Request System (CSR) is designed to offer one-stop service requests, and is focused on resolving citizen concerns as well as individual and community requests 24/7. This project was initiated in 2003 and in 2004 an operating budget was needed. IAD reviewed ID bills and vouchers for both the capital and operating portion of the CSR project and found no concerns with the ID bills or vouchers.

The RCC computer room is housed in a Hamilton County building, and the City leases the space from the County. The room was designed 40 years ago when large mainframes were in use, and today there is an excess amount of unused space. In addition, the room has a fire suppressant system (halon) that is extremely costly to replace. IAD interviewed both City and County employees and neither entity can determine if the City or the County would be responsible to replace the halon and reconfigure the room. The estimated cost to resize the room and turn the remaining area into office space is \$750,000.

Another issue with the computer room is how RCC allocates the cost, which is by floor space. This matter came into focus in 2005 when an old mainframe was to be decommissioned, and the allocation costs for 2005 were based on this assumption. However, the old mainframe continued to operate in 2005 and through part of 2006. Although the costs were redistributed to the various RCC sections, the RCC Managers were concerned that the old mainframe had not been retired as previously decided.

# **I. Introduction**

## **Background**

The Regional Computer Center (RCC) was formed in 1967 through an agreement with the City of Cincinnati, Hamilton County and local law enforcement agencies, to meet the regions' information needs. Today RCC is organized into the following five divisions:

- County Law Enforcement Applied Regionally (CLEAR)
- Cincinnati Area Geographic Information System (CAGIS)
- Cincinnati Information System (CINSY)
- Communication Technology Services (CTS)
- Hamilton County Information System (HAMCO)

CLEAR is a police information database that provides law enforcement applications throughout agencies in Hamilton County, and is funded through a county-wide tax levy. The City of Cincinnati is responsible for the day-to-day operations, and there is currently a five-year contract between the City of Cincinnati and the County. All CLEAR employees are City of Cincinnati employees.

CAGIS is an enterprise-wide information consortium that enables the City, Hamilton County and Duke Energy to view, analyze and trend geographical data. CAGIS is funded 49% by the City, 49% by Hamilton County and about 2% from Duke Energy.

CINSY provides information technology services and solutions to the City of Cincinnati. The areas of operations under CINSY include Desktop Computer and Network support, Metropolitan Area Network (MAN) support, Cincinnati Human Resources Information System (CHRIS), Electronic Government, Cincinnati Financial System (CFS), and Information Security.

CTS is primarily responsible for supporting the City's voice, data, and radio communication systems.

HAMCO provides information technology services to forty departments of Hamilton County. In addition, they offer network administration to several County agencies, and support for the Hamilton County website.

RCC also consists of the Administration section, which oversees the billing, HR functions, Accounts Payable and Accounts Receivable, budget, fiscal oversight and cost billing, and Enterprise Technology Services (ETS) that are shared services and split among the five divisions. ETS is comprised of the Computer Room, Help Desk, Technical Services (Oracle, DBA, and Administrators), Application Services (support production applications), and Beta Control (job set-up delivery and reports).

When RCC was established, the governance of RCC was to be conducted through a Control Board made up of three City officials, three County officials and one individual from the private sector. CLEAR and CAGIS also have Control Boards.

## **Audit Scope and Methodology**

The Internal Audit Division (IAD) was asked to review and evaluate RCC to ensure Fund 702 is being properly accounted and expended for, the computer room costs are appropriately allocated, the Help Desk is being utilized in the most cost efficient method, and that RCC is utilizing the most effective billing process.

Audit methodology consisted of interviews with staff members, including supervisors and division heads. In addition, we reviewed and evaluated ID bills and vouchers for the CSR project, and contacted other comparable cities to determine how they allocate overhead costs in their IT department.

IAD conducted fieldwork for the audit from March 2007 to May 2007. The audit was conducted in accordance with generally accepted government auditing standards (GAGAS).

### ***Scope Limitations***

IAD concentrated the audit on the four specific issues requested by the City Manager to review. IAD did not conduct a review on RCC as a whole, their management practices, or the business model currently in place.

## **II. Findings and Recommendations**

### **Cost System and Billing**

At RCC a blue requisition form is completed for all supplies and services, and the information is entered into a database. The charge code on the form tracks all expenses, and everything is tied back to the requisition form. Timesheets have charge codes as well.

At the beginning of each year RCC estimates rates, overhead, rent, ETS, and administration costs. Once the year is over the actual costs are calculated. The personnel time is based on a standard rate with 1,758 billing hours used. RCC develops the rate based on the top salary step of the assigned analyst. RCC needs to determine the actual rate to be able to complete the reconciliation. If RCC is under their estimated costs, they need to recover funds from the departments that utilized their services and if RCC is over their estimated costs, they will need to give money back to the departments. During the past two years RCC has been under their estimated costs. This has caused RCC to use their working capital and to bill agencies for the services rendered. Receiving payments from the users has been a difficult task for the RCC Administration to accomplish.

The billing system used at RCC has been in place for 16 years, and a more efficient method is needed. The reconciliation process at the beginning of the year takes approximately three months to complete. Bills cannot be disbursed until the reconciliation has been completed. Therefore, departments do not receive a bill from RCC until approximately April. It is difficult

for agencies to determine what services were provided by RCC to ensure the billings are correct. This is a reoccurring complaint and has caused many agencies to be extremely disappointed with RCC and the way they conduct business.

IAD found that when agencies requested additional billing detail regarding an analyst's time charged to their agency, RCC could not provide the information requested. RCC employees currently handwrite their timesheets and until an automated system is developed that shows the time spent on specific projects, agencies will not receive the detailed information requested.

RCC does not provide work order estimates or receipts so the agencies know what services are to be provided and what to budget for when their bills are generated. Most agencies have automatic billing and unless they specifically request their RCC bill they do not see it.

The following four recommendations would improve and maintain better business relationships with other agencies, and are good business practices that should be in place for customer satisfaction.

**Recommendation 1.** RCC should update their billing system to enable detailed bills to be sent out on a timely basis.

**Department Response:** *Department Agrees.*

*A new cost billing system is being developed and will be run in parallel with the old system scheduled to be implemented January 2008. The new billing system will include detailed billing data collected directly from CHRIS time sheets and from purchase orders. This detailed data can be made available to each client beginning with the January bills with the RCC making the data available to all customers/clients "on-line" by year-end 2008. The new system is being designed to minimize manual data entry of business related information to reduce internal organizational cost, provide efficient detailed information to clients to assess associated costs for services and to provide financial reporting in a timely manner.*

**Recommendation 2.** RCC should automate their timesheets to better manage employees and their time.

**Department Response:** *Department Agrees.*

*During April 2007, the RCC initiated the process to implement the "Employee Time Sheet Self-Service" tool within the Cincinnati Human Resources Information System (CHRIS). This tool allows all RCC employees to enter their own time sheets into the system and has minimized data entry labor costs associated with entering information into the system after it is prepared by each staff member. The tool automates both the time collection and the approval process. This process further decreases administrative and accounting cost while increasing productivity, provides online timesheets, provides "leave management" tools and allows senior management to track and manage employee time.*

- 1) *Identified the requirements for Time reporting for RCC*
  - a. *Project Tracking (interfacing with the current and new Cost Reporting system)*
  - b. *Identified activity associated with project tracking*

- 2) *Defined Reporting Groups*
- 3) *Defined roles within the Time and Labor Self Service process*
- 4) *Develop and test Time and Labor and RCC Cost interface solution*
- 5) *Train staff and managers*
- 6) *Implemented Pilot group*
- 7) *Implemented remaining RCC groups over 3 Pay Periods(Implementation complete 11/22/2007)*

**Recommendation 3.** RCC should develop work order estimates so departments know the timeframe, and the cost of service.

**Department Response:** *Department Agrees.*

*RCC will enter into a Service Level Agreement (SLA) with clients. The SLA will clearly define the service being provided, responsibilities of each party entering the agreement, timeframe of the service, and costs. Where applicable, the SLA will contain service performance metrics with corresponding service level objectives. The SLA template has been reviewed by the Law Department and is currently being implemented. (See Attachment A)*

**Recommendation 4.** RCC should change their billing cycle to March through March of each year so bills are issued on a monthly basis.

**Department Response:** *Department Partially Agrees.*

*The new cost billing system will allow estimated billing data to be available days after the charge was incurred, allowing the billing cycle to occur much sooner. The RCC would prefer to stay on a January-December billing cycle to concur with the City's fiscal year.*

As stated above, IAD found many customers who are not satisfied with RCC billing processes. One in-house example concerns CLEAR. CLEAR receives funding through the Hamilton County property tax. The funding for CLEAR comes from the County, but the City is responsible for the day-to-day operations. The City bills CLEAR for their services and CLEAR reimburses the City. In May 2006, CLEAR received their first bill of the year from RCC. The CLEAR Manager noticed an ETS employee charged CLEAR for working on Performance Monitoring during the first quarter of 2006 in the amount of \$13,000. The CLEAR Manager informed IAD that CLEAR had participated in Performance Monitoring in 2005, but also ended their participation that same year.

After further investigation, IAD found that the CLEAR Manager made an arrangement with RCC to participate in Performance Monitoring for the 2005 year. In exchange ETS would acquire a CLEAR employee who did not have certain required programming knowledge. In addition, the CLEAR Manager agreed to pay this employee's salary for an entire year as long as ETS would retain the individual as a permanent ETS employee. IAD found that this employee inadvertently charged their time to CLEAR during the first quarter of 2006. IAD interviewed the ETS Manager and learned that the employee forgot to change their timesheet in 2006 after working for CLEAR during 2005. Since the bills at RCC are not distributed until after the first quarter of the year, the employee's time accumulated resulting in the inadvertent charge to

CLEAR. This billing error was adjusted by RCC Administration when it was brought to their attention.

The billing adjustment was not satisfactory for the CLEAR Manager, and from that point on CLEAR stopped paying their portion of the bills that included ETS shared services and floor space in the computer room (See section below on Computer Room). The approximate amount owed by CLEAR was allowed to increase to \$900,000. Since CLEAR refused to pay their share of operating costs, the City of Cincinnati's general fund has been responsible for covering the costs.

The CAGIS section also decided to stop paying for shared services and computer room floor space until more detailed cost reports are produced. The amount owed to RCC by CAGIS is approximately \$200,000.

**Recommendation 5.** RCC management should ensure all entities are paying their total bill timely so that the City's general fund is not impacted by having to be responsible for expenses that are covered by the Hamilton County property tax.

**Department Response:** *Department Agrees.*

*The current billing system does not interact with Cincinnati Financial System (CFS). The new cost billing system will be housed on the CFS server. The intent is to be able to produce instant reports showing which bills have not been paid to allow adequate follow up.*

## **Help Desk**

A Help Desk provides users with a central point to receive help on various computer issues. The Help Desk at RCC is under the ETS section. According to the ETS website, "The Help Desk resolves problems or acts as a liaison between clients and other support resources. Primary functions of the Help Desk include problem resolution and escalation, system monitoring, incident tracking and reporting, and asset management/maintenance. The Help Desk also offers monthly Brown Bag MS Word and Excel training sessions."

The ETS website also lists Help Desk goals that include the following: Answer all calls within 4 rings, resolve 50% of all problems at the first level within 30 minutes, second level problem resolution within 4 hours, and hardware/software vendor problem resolution within one working day. The Help Desk deals with problems or questions involving: Connectivity/Password issues, office software, hardware support, RCIC, LEADS & NCIC support, network monitoring, internet connection and e-mail.

Technology is constantly evolving and changing. The Help Desk needs to maintain trained and knowledgeable staff to assist City and County employees when a computer question arises. According to the ETS Manager, in prior years an appropriate staffing level was achieved. There was a sufficient amount of employees to staff the Help Desk 24/7. However, during the past several years ETS has lost Help Desk support due to budget cuts and other issues. This makes it difficult for the Help Desk to reach their goals and causes customer satisfaction to go down.

One reason staffing levels declined at the ETS Help Desk was due to CLEAR's decision, in 2006, to operate their own Help Desk. CLEAR felt that ETS was not properly supporting their needs. CLEAR then created a Help Desk and took two Help Desk employees from ETS. Prior RCC management allowed CLEAR to dismantle the Help Desk without doing the proper research to determine what was best for the organization as a whole. Furthermore, a cost analysis was never performed to determine the benefits of maintaining the Help Desk or separating the services.

ETS currently has only two Help Desk employees and is no longer operating 24/7. IAD did not review the statistical data and reports to determine if Help Desk goals are being achieved. However; from talking with City and County agencies, IAD can conclude that goals are not being reached and customer satisfaction is low.

IAD found that other departments in the City have implemented their own Help Desks, including Water Works and Metropolitan Sewer District (MSD), however; IAD could not verify the total number of Help Desks citywide.

**Recommendation 6.** RCC should review all citywide Help Desks to determine efficiencies and cost savings.

**Department Response:** *Department Agrees.*

*As a part of its effort to develop a new business model for delivering IT services, the RCC has been reviewing how Help Desk and IT Support services are delivered on a city-wide basis. A preliminary review has identified at least 14 Help Desks throughout the City organization, with one additional Help Desk within the CLEAR Division. The RCC is currently preparing data to support the recommendation of a centralized Help Desk in addition to the consolidation of various IT Enterprise Support Services. While no efficiencies or savings have been specifically identified for public release, the RCC is confident that thru working with all the entities which have help desk operations, proper efficiencies and savings can be identified.*

## **Customer Service Request System (CSR)**

The CSR is designed to offer one-stop customer service requests, and is focused on resolving citizen concerns as well as individual and community requests, 24 hours 7 days a week. In 2002 RCC initiated discussion about the CSR project, and it was decided that CAGIS would be the managing entity.

In 2003 RCC started work on the CSR. An employee was selected from CINSY to work on the project, and was on loan to CAGIS from 2003-2006 (This employee is now part of CAGIS organization chart). All of her time was charged to the CSR capital project and she worked closely with the CAGIS Manager. The IT Assistant Manager for Systems and Networking at CAGIS signed off on all of her ID bills for her salary. According to the Supervising Management Analyst, charging her time to the CSR capital project was acceptable since it was

for project development costs. Expenses for CSR come out of the CAGIS 449 fund and are reimbursed from the 980 fund.

In 2003 the Budget Analyst for RCC proposed an operating budget (software maintenance, telecom charges, and eventually personnel support) for 2004/2005 for the CSR project. The best estimate to what would be needed was \$77,400 annually. The budget also included \$167,000 for connectivity. The total budget for the CSR project was \$244,400. The CAGIS section was given responsibility for the operating portion and the CINSY MAN group (now CTS) was given responsibility for the connection costs. The actual operating monies needed for 2004 was \$44,000 and for 2005 it was \$45,000. However, the connectivity costs were greater than what was budgeted at \$187,000 for 2004 and \$211,000 for 2005. The funds not used in the operating portion of the budget were allocated to the connection costs.

	2004		2005	
	Budget	Actual	Budget	Actual
Operating	\$77,400	\$44,000	\$77,400	\$45,000
Connectivity	\$167,000	\$187,000	\$167,000	\$211,000
Total	\$244,400	\$231,000	\$244,400	\$256,000

IAD reviewed current and previous ordinances generated by the City and found that RCC can use general fund money for any areas within RCC. The budget does not itemize general fund money for each section within the RCC. Therefore, IAD concludes that it was acceptable for RCC to use the remaining operating monies for other general fund needs, such as for connectivity costs.

In 2006, RCC submitted an exception request for the entire CSR operating budget including personnel support, software/hardware maintenance, and telecomm charges, totaling \$275,100. The \$77,000 previously allocated to the RCC’s base operating budget for CSR operations was used to restore the full need of the CSR connection costs in 2006 and offset fringe increases for the General Fund programs. The Budget Office did not fund the program. The entire CSR operating component was not approved for the General Fund in 2006. Only the connectivity portion was funded. To ensure that operating support was maintained for 2006, CAGIS revised the remaining CSR capital project program budget to fund a modified operating component. An additional \$40,000 was to be contributed from a CSR/CPOP infrastructure capital project in the CTS section of RCC. In 2007, the Budget Office recommended the full CSR operating and connectivity amounts.

IAD reviewed ID bills and vouchers for the CSR project (capital and operating) from 2003 through 2006 and found no concerns with the ID bills or vouchers.

**Recommendation 7.** RCC should train key personnel in the divisions who are responsible for their respective budget to review and analyze financial documents.

**Department Response:** *Department Agrees.*

*The new cost billing system (phase 2 to be implemented in the Spring ‘08) is expected to produce budget monitoring reports to track budgets, expenses, and reimbursements. The interim director has established a Finance Liaison Group which includes “key” division personnel in addition to*

*the City/County Budget Analysts who meet regularly to train on financial matters and to discuss items related to RCC finances.*

## **Computer Room**

The RCC computer room is housed in a Hamilton County building, and the City leases the space from the County. The computer room occupies 12,130 square feet of floor space and approximately 2,100 square feet are used for the platforms. This amount of space was needed years ago when very large mainframes were in use. Today there is excess space in the computer room. A major concern with the room is that there is a fire suppression system (halon) in place that would be extremely expensive to remove. IAD interviewed City and Hamilton County staff and neither entity could determine who is responsible for the computer room space and the removal of the halon. RCC would like to resize the computer room and turn the remaining area into office space; however, the estimated cost for this project was \$750,000. The only information IAD could find on this issue were minutes from a 1984 RCC Control Board meeting stating that the estimated cost to install the fire suppression system (halon) would be between \$100,000 and \$130,000. At that time RCC recommended that the cost be amortized over a ten-year period and become part of the lease/payment for the building. A vote was taken by the board on the motion, and the motion was carried.

**Recommendation 8.** RCC should determine who is responsible for the costs associated with resizing the computer room and the cleanup of the halon system. In addition, RCC should examine if the current location of the computer room is best for the City or if it should be relocated.

**Department Response:** *Department Agrees.*

*RCC is working with City Facility Management on relocating the Computer Room. The current facility is vastly oversized at 12,000 sq ft. A facility of approximately 2,500 sq ft would adequately support the needs of RCC; with an estimated annual savings of \$250,000. An informal discussion has recently taken place with the County Budget Office on the halon system cleanup. More discussions are forthcoming.*

RCC allocates the computer room cost by floor space. In 2005, the mainframe with the City's Cincinnati Financial System (CFS) was to be phased out; therefore, the allocation costs for 2005 were based on the assumption that the old mainframe would be removed and the new mainframe would be in use. However, the old mainframe was not removed, and in 2006 the old mainframe was still in use. The RCC Managers were concerned when they discovered this since their budgets were charged at a rate as if the old mainframe was decommissioned. During the interview process with RCC staff, IAD heard a number of contradicting reasons as to why the old mainframe was not turned off. In mid-2006 the old mainframe was decommissioned. RCC administration redistributed the computer room cost as part of their reconciliation for all of 2005 and part of 2006.

### Other City's Allocation Methods

IAD researched other cities to determine how they allocate shared costs and found that entities vary depending on what methods work best for them. For example, the Franklin County Data Center has individual billing rates and depending what the billing is, costs are allocated differently. The City of Detroit does not have an allocation method nor do they have shared costs. They receive \$20 million from the general fund and use it for DBA and PC support, etc. Detroit is currently looking into new ways to change how their IT is set up. Another example given to IAD by a consultant the City uses is to allocate space cost by using the total expenditures, and use budgetary costs of different cost pulls.

**Recommendation 9.** RCC should review various ways to allocate overhead to determine the best method for their customers.

**Department Response:** *Department Agrees.*

*RCC is currently developing a new business model. The model will analyze the current funding structure in place that involves the use of charge backs and overhead allocation that inefficiently support the organization. Various cost methods are being explored and the new business model will recommend a new funding structure to better support the department and City overall.*

### **III. Response from RCC**

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*RCC Response follows on page 11.*

# City of Cincinnati



Interdepartmental Correspondence Sheet  
Regional Computer Center (RCC)

**Date: December 6, 2007**

**To: Mark Ashworth, Internal Audit Manager**

**From: Margo Springs, Interim Director, Regional Computer Center (RCC)**

**Subject: Regional Computer Center: Internal Audit Report**

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The Regional Computer Center Department has reviewed the Internal Audit Division's draft report dated October, 2007. Overall, I concur with the findings and recommendations proposed within the report. As interim director, and prior to receiving the final draft report, the RCC has either implemented and/or is within the process of addressing all recommendations made within the report. The audit makes nine recommendations which are addressed below:

## Cost System and Billing

**Recommendation 1. RCC should update their billing system to enable detailed bills to be sent out on a timely basis.**

A new cost billing system is being developed and will be run in parallel with the old system scheduled to be implemented January 2008. The new billing system will include detailed billing data collected directly from CHRIS time sheets and from purchase orders. This detailed data can be made available to each client beginning with the January bills with the RCC making the data available to all customers/clients "on-line" by year-end 2008. The new system is being designed to minimize manual data entry of business related information to reduce internal organizational cost, provide efficient detailed information to clients to assess associated costs for services and to provide financial reporting in a timely manner.

**Recommendation 2. RCC should automate their timesheets to better manage employees and their time.**

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staff member. The tool automates both the time collection and the approval process. This process further decreases administrative and accounting cost while increasing productivity, provides online timesheets, provides “leave management” tools and allows senior management to track and manage employee time.

- 1) Identified the requirements for Time reporting for RCC
  - a. Project Tracking (interfacing with the current and new Cost Reporting system)
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**Recommendation 4. RCC should change their billing cycle to March through March of each year so bills are issued on a monthly basis.**

The new cost billing system will allow estimated billing data to be available days after the charge was incurred, allowing the billing cycle to occur much sooner. The RCC would prefer to stay on a January-December billing cycle to concur with the City’s fiscal year.

**Recommendation 5. RCC management should ensure all entities are paying their total bill timely so that the City’s general fund is not impacted by having to be responsible for expenses that are covered by the Hamilton County property tax.**

The current billing system does not interact with Cincinnati Financial System (CFS). The new cost billing system will be housed on the CFS server. The intent is to be able to produce instant reports showing which bills have not been paid to allow adequate follow up.

## **Help Desk**

**Recommendation 6. RCC should review all citywide Help Desks to determine efficiencies and cost savings.**

As a part of its effort to develop a new business model for delivering IT services, the RCC has been reviewing how Help Desk and IT Support services are delivered on a city-wide basis. A preliminary review has identified at least 14 Help Desk throughout the City organization, with one additional Help Desk within the CLEAR Division. The RCC is currently preparing data to support the recommendation of a centralized Help Desk in addition to the consolidation of various IT Enterprise Support Services. While no efficiencies or savings have been specifically identified for public release, the RCC is confident that thru working with all the entities which have help desk operations, proper efficiencies and savings can be identified.

### **Customer Service Request System (CSR)**

**Recommendation 7. RCC should train key personnel in the divisions who are responsible for their respective budget to review and analyze financial documents.**

The new cost billing system (phase 2 to be implemented in the Spring '08) is expected to produce budget monitoring reports to track budgets, expenses, and reimbursements. The interim director has established a Finance Liaison Group which includes "key" division personnel in addition to the City/County Budget Analysts who meet regularly to train on financial matters and to discuss items related to RCC finances.

### **Computer Room**

**Recommendation 8. RCC should determine who is responsible for the costs associated with resizing the computer room and the cleanup of the halon system. In addition, RCC should examine if the current location of the computer room is best for the City or if it should be relocated.**

RCC is working with City Facility Management on relocating the Computer Room. The current facility is vastly oversized at 12,000 sq ft. A facility of approximately 2,500 sq ft would adequately support the needs of RCC; with an estimated annual savings of \$250,000. An informal discussion has recently taken place with the County Budget Office on the halon system cleanup. More discussions are forthcoming.

### **Other City's Allocation Methods**

**Recommendation 9. RCC should review various ways to allocate overhead to determine the best method for their customers.**

RCC is currently developing a new business model. The model will analyze the current funding structure in place that involves the use of charge backs and overhead allocation that inefficiently support the organization. Various cost methods are being explored and the new business model will recommend a new funding structure to better support the department and City overall.

## **RCC Fiscal Assessment**

Upon arrival to the RCC as interim director, the RCC administrative section completed a Fiscal Assessment to analyze the current financial status of the primary department account, Internal Service Fund 702. The assessment uncovered two problems: the current operating deficit and a structural imbalance with Fund 702.

The Fund 702 balance has been operating at a deficit throughout 2007, reaching a high of -\$3.2 million for the month ending July. A major factor for this deficit was due to unpaid invoices. Fund 702 is required to have a positive balance by the end of the year. The assessment found previous year end balances have been positive by using the Working Capital Reserve (WCR) and the Clear Accrual deposit. The use of these two accounts within Fund 702 to balance result in the structural imbalance discussed below. The billing lag is being addressed by reorganizing the Business Operations Section and implementation of a detailed monitoring process, as well as a new budget/billing cost system.

The Fund 702 structural imbalance has resulted in end-of-year reconciliation adjustments in 2005 and 2006. The adjustments include increased charge rates to client agencies, offsetting resources within CINSY enterprise areas, depletion of the WCR, and additional General Fund appropriations. These adjustments were needed because the RCC had not implemented a significant portion of approved budget reductions from 2005, 2006, and 2007.

The RCC is working cooperatively with the Office of Budget & Evaluation as well as the Finance Division of Accounts & Audits and proposed addressing the operating deficit and structural imbalance in Fund 702 by using savings from the Early Retirement Incentive Plan, and a final adjustment ordinance appropriation to offset the estimated 2007 deficit. The estimated 2007 year-end shortfall balance is being addressed with the implementation of approved budget service level reductions. These actions will also restore the WCR.

## **Quality Assurance/Control**

The RCC has hired additional staff persons responsible for assuming an increased role with the authority for the development, implementation, evaluation and maintenance of a comprehensive and effective quality, research and regulatory role within the department. Under the direction of the department director, the Business Operations Manager is responsible for ensuring compliance with divisional and departmental policies and procedures which will require increased responsibility for on-going compliance with contract agreements, methods and on-going relationships with established control and governance boards within various sections of the department (i.e., CLEAR/CAGIS).

Please feel free to contact me if you have additional questions regarding any of the above responses to the report's recommendations.

ATTACHMENT A



Regional Computer Center

**SERVICE LEVEL AGREEMENT**

**PARTIES INVOLVED**

1. Regional Computer Center (RCC)  
Specific Area

**PURPOSE OF AGREEMENT**

This document details a complete agreement between the Regional Computer Center and the Specific Area.

**AGREEMENT TERM**

The initial period for this Service Agreement begins on a date to be established by mutual agreement between RCC and Specific Area; and continues for a period of one year from the date of acceptance of this agreement. The agreement may be canceled by either party with 120 days written notice, or by mutual consent of both parties in 90 days. This agreement, including any subsequent modifications, will be automatically renewed annually unless canceled by prior written notice. Changes to this agreement will be made when required, and with prior review and approval of both participating parties.

**COSTS (Service)**

**CHANGE PROCEDURE**

Additional services beyond the basic services shall be made by written agreement between the RCC and Specific Area.

**PROJECT MANAGERS**

**DETAILED SERVICES**

**Agency Responsibilities**

**RCC Responsibilities**

Approved:

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Project Manager

Date

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RCC Project Manager

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Date