

Audit



Highlights

Highlights of Legislative Auditor report on the Department of Information Technology, issued on December 11, 2002. Report # LA02-30.

Purpose of Audit

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

Audit Recommendations

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

The Department of Information Technology accepted all seven recommendations.

Status of Recommendations

The Department's 60-day plan for corrective action is due on March 11, 2003. In addition, the six-month report on the status of audit recommendations is due September 11, 2003.

Department of Information Technology

Results in Brief

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

Principal Findings

The Department did not properly approve or monitor employee overtime. Without advance approval, overtime can be abused and management may not be appropriately controlling employee workload. During calendar year 2001, the Department paid employees about \$333,000 in overtime.

Management provided little oversight to employees in the Web Services unit to ensure timesheets were accurate and overtime was properly controlled. In calendar year 2001, the 5 employees in this unit recorded about 3,260 hours of overtime. As a result, these employees received more than \$131,000 (39%) of the overtime paid by the Department during the year.

Three Web Services employees did not record leave on their timesheets when they took time off to perform volunteer activities for the Nevada Division of Wildlife. We identified 5 instances, totaling 50 hours, where leave was not properly reported. Furthermore, these employees claimed overtime on their timesheets for some volunteer activities. Although these employees indicated they made up their time off by working additional hours at another time, we could not verify these claims because no records were kept. In addition, Web Services employees improperly recorded overtime for working on weekends in all 67 instances we tested. We identified 11 instances where overtime was claimed when it was not worked, and 56 instances where Web Services employees recorded more overtime than allowed by state personnel regulations.

The Department was unable to provide supporting documentation related to the approval and purchase of cell telephones for 10 individuals we selected. In addition, the Department was unable to provide supporting documentation for four of five other cell telephone equipment purchases, totaling about \$1,200. These purchases were charged by employees directly to the Department's telephone account without preparing the required approval forms.

The Department has yet to obtain and analyze appropriate information regarding the decentralization of its programming services. Despite a lack of information regarding the results of the 2001 pilot program, further decentralization has been proposed for fiscal year 2005. This proposal has serious risks because the pilot program failed to generate adequate information on the costs and benefits of decentralization. Because the financial impact to the State has not been analyzed, some overhead costs currently paid by the Federal Government may be shifted to the State.

The Department has had difficulty developing a rate model to bill for the services it provides. For example, 14 of the 35 rates generated billing variances greater than 40% from the cost of providing the service during fiscal year 2001. Therefore, some agencies have been overcharged for services they received and other agencies undercharged. As of June 30, 2001, Department budget accounts with overcharges totaled about \$5.2 million, and budget accounts with undercharges totaled about \$4.6 million. Because the Department's costs are often charged to federal programs, the Federal Government requires repayment of its share of the overcharges. In August 2002, Department staff indicated the State was negotiating with the Federal Government to determine how much of the \$5.2 million must be repaid.