

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF INFORMATION TECHNOLOGY**

**INTERNAL CONTROL REVIEW
REVENUES AND EXPENDITURES
JANUARY 2025**



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To The Fiscal Committee Of The General Court:

This report presents the results of our assessment of the internal controls in place over the receipt, deposit, recording, and reporting of revenues and the authorization, payment, recording, and reporting of expenditures of the Department of Information Technology (Department) during the nine months ended March 31, 2024.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The purpose of this audit was to determine whether the controls in place over the receipt, deposit, recording, and reporting of the Department's revenues and the authorization, payment, recording, and reporting of the Department's expenditures paid during the nine months ended March 31, 2024 were properly designed, implemented, and operating effectively. Additionally, our audit was designed to determine whether the Department's revenues and expenditures were processed in accordance with applicable laws, rules, regulations, contracts, agreements, Department of Administrative Services (DAS) policies and procedures, and the Department's policies and procedures.

The Department and DAS provided auditee responses which are included with each finding in this report. We did not audit the responses provided by these State agencies.

Office of Legislative Budget Assistant

Office of Legislative Budget Assistant

January 2025

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF INFORMATION TECHNOLOGY
INTERNAL CONTROL REVIEW – REVENUES AND EXPENDITURES**

TABLE OF CONTENTS

	<u>PAGE</u>
TRANSMITTAL LETTER	i
EXECUTIVE SUMMARY	1
RECOMMENDATION SUMMARY	3
BACKGROUND	7
OBJECTIVES, SCOPE, AND METHODOLOGY	12
PRIOR AUDIT	13
 <i>FINDINGS AND RECOMMENDATIONS</i>	
Observation No. 1: Controls Over Cost Allocation Process Should Be Strengthened.....	14
Observation No. 2: Controls Over Expenditure Process Should Be Strengthened.....	17
Observation No. 3: Controls Over Use Of NH FIRST Activity Codes Should Be Strengthened	19
Observation No. 4: R&R System User Access Permissions Should Be Strengthened.....	21
Observation No. 5: Controls Over Telecommunications Financial Operations Should Be Strengthened	22
Observation No. 6: Implement Effective Monitoring Controls Over Salaries And Benefits Expenditures.....	24
Observation No. 7: Prepare, Implement, And Maintain Fundamental Internal Control Processes And Plans	26
Observation No. 8: Implement Policies And Procedures To Document Approval Of Invoice Batches In NH FIRST	28
Observation No. 9: System Backups Should Be Tested Periodically.....	29
Observation No. 10: Prior Audit Findings Should Be Addressed	30

Table Of Contents

Observation No. 11: Administrative Rules Should Be Adopted As Required32

Observation No. 12: Compensation Practices Should Be Clarified33

Observation No. 13: Annual Personnel Evaluations Should Be Completed As Required36

Observation No. 14: Biennial Reports Should Be Filed As Required.....37

CURRENT STATUS OF PRIOR AUDIT FINDINGS39

ABBREVIATIONS USED

A&E	Approvals and Expenditures
CBA	Collective Bargaining Agreement
CIO	Chief Information Officer
CISO	Chief Information Security Officer
COOP	Continuity of Operations Plan
DAS	Department of Administrative Services
DAS-DoP	Department of Administrative Services, Division of Personnel
Department or DoIT	Department of Information Technology
DTR	NH FIRST Detail Transaction Register
FARS	Financial Allocation Reporting System
IFS	Integrated Financial System
IT	Information Technology
IGP	Intergovernmental Payment
DAS-MOP	Department of Administrative Services Manual of Procedures
NH FIRST	New Hampshire State Government Accounting and Financial Reporting System
OIT	Office of Information Technology
R&R	Request and Requisition System
SLA	Service Level Agreement
VoIP	Voice over Internet Protocol

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF INFORMATION TECHNOLOGY
INTERNAL CONTROL REVIEW – REVENUES AND EXPENDITURES

EXECUTIVE SUMMARY

The Department of Information Technology (Department) has not established adequate internal controls over revenues and expenditures, including the receipt, deposit, recording, and reporting of revenues and the authorization, payment, recording, and reporting of expenditures for the nine months ended March 31, 2024. Certain financial accounting processes were overly complex, outdated, not sufficiently documented, lacked oversight, or did not fully comply with State law. The financial accounting control environment continues to be impacted by the Department's failure to fully resolve all prior audit findings from our most recently completed financial and performance audits of the Department. More than 60% of the findings and recommendations from our financial and compliance audit report of the Office of Information Technology for the nine months ended March 31, 2006 and our 2018 performance audit report of the Department need corrective action.

During the audit, we found:

- The cost allocation process used to bill State agencies for information technology services provided by the Department is unnecessarily complex, not sufficiently or accurately documented, and heavily reliant upon one long-tenured employee, increasing the risk of errors, inconsistencies, and a disruption in operations in the event of unplanned employee turnover. While the complexity of the process was designed to provide precise cost information for the services billed, the level of detail and number of methodologies, databases, and sources used in the process made it difficult for employees to recalculate invoices and explain the process to others. Of the 287 cost allocation methodologies used by the Department, 115 or approximately 40% included outdated procedures for collecting statistics from persons who were former employees.
- The uniform standards, practices, procedures, instructions, and funding processes used by the Department to bill State agencies and others for statewide telecommunications services were not documented or adopted into a comprehensive manual as required by State law. Fees billed to user agencies were not published or available for review, and the Department could not explain or support how it calculated surcharges. Telecommunications billings were not sufficiently reviewed prior to release in the State accounting system, NH FIRST, resulting in a \$104 million posting error that had to be corrected after the initial recording in the system.
- Controls over invoice review and monitoring need strengthening. Approximately \$1.1 million in non-payroll expenditures reviewed lacked documentation to verify the accuracy of calculations performed. Procedures for reviewing invoices were not sufficient to ensure compliance with contract payment terms and state requirements. For instance, a monthly reconciliation of expenditures recorded in NH FIRST to supporting documentation was not performed as required by State policy, and approval authorities in the Department's Request and Requisition system were not appropriately restricted.

- Controls over payroll processing, including bi-weekly monitoring controls and controls for ensuring compliance with compensation practices required by State law and the State's Collective Bargaining Agreement, need improvement. Employee access to approximately 57,000 NH FIRST payroll activity codes unrelated to the Department increased the risk of improperly assigning expenditures to activity codes that affect IT cost allocations to user agencies. Payroll processing duties were not properly segregated or evidenced, and the bi-weekly monitoring process is not detective in nature.
- The Department has neither a formal risk assessment process, nor a current business continuity of operations plan covering critical administrative support and financial accounting activities. The Department has also not tested its system backups to ensure data can be recovered timely and completely in the event of loss of system data.
- The Department has not adopted administrative rules or prepared and submitted biennial reports required by State law.

Making improvements to the Department's control framework will likely be a multi-year undertaking. This report presents 14 observations with recommendations that are intended to help management improve controls over the Department's revenue and expenditure processes, ensure compliance with State laws, rules, regulations, contracts, agreements, and policies and procedures applicable to those processes, and better serve agency partners in a fiscally responsible manner. Improvements will be difficult to make without first establishing a formal risk assessment process and resolving prior audit findings.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF INFORMATION TECHNOLOGY**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
1	14	No	Determine whether the Cost Allocation Methodology Table is a formal resource of the Department that is still applicable to the cost allocation process. If it is determined to be useful, make efforts to ensure the Table reflects current practices. Establish comprehensive and documented policies and procedures for all cost allocation financial accounting and reporting activities to support the responsibilities of key employees, and to provide for a continuity of operations upon employee turnover. Management should be able to recalculate and substantiate all costs invoiced to user agencies.	Concur
2	17	No	Expand accounts payable policies and procedures to include procedures for ensuring invoices are in compliance with significant contract payment provisions. Policies and procedures should identify what items embedded and business office staff are responsible for reviewing prior to paying an invoice. Comply with DAS MOP 2700 and perform a monthly reconciliation of the NH FIRST Detail Transaction Register to supporting documentation (invoices paid). The process should be supported by written policies and procedures approved by the appropriate level of management.	Concur
3	19	No	Develop policies and procedures for assigning activity codes in NH FIRST, when completing timecards, or assigning activity codes to invoices for payments and other transactions in the general ledger. Policies should include	Concur

Recommendation Summary

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
			a comprehensive and descriptive listing of activity codes available for use or specify the process to follow when the choice of activity codes is unclear. DAS should consider whether implementing a security check for the Time Management module, like other NH FIRST modules, is feasible or would be worth the cost to implement.	
4	21	No	Review the assignment of authorities within the R&R system to ensure employee approval authorities are compatible, limited to only those employees who need access, and established to achieve proper oversight and control over the disbursement process as intended by management. Establish policies and procedures for periodically reviewing R&R system approval authority.	Concur
5	22	No	Establish and document comprehensive policies and procedures governing the telecommunications process to conform with the requirements of RSA 21-R:4, XX, and adopt a comprehensive manual governing the telecommunications process. Improve the telecommunication check recording and custody process to ensure incompatible duties are appropriately segregated. Document the basis for surcharges billed to customers and publish a comprehensive fee schedule outlining the precise amount of charges for all services provided. Consult with DAS to determine the feasibility of establishing a process flow approval procedure, or similar audit trail, in NH FIRST for documenting segregation of duties input and approval controls over invoice transactions that are batched.	Concur

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
6	24	No	Strengthen controls over the salaries and benefits expenditures monitoring and review processes. Establish written policies and procedures to ensure the processes can continue to be completed in the absence or departure of key employees, and to ensure consistency in approach. Develop, document, and implement policies and procedures for employee termination payouts, and include a review and approval process by the appropriate level of management.	Concur
7	26	No	Establish a formal risk assessment process for recognizing, evaluating, and responding to risks that could affect the Department's ability to reach its financial accounting and reporting objectives. The process should include an IT security risk assessment to ensure the Department's information assets are adequately considered. Regularly review financial and operational activities for indicators of risk exposure and establish and monitor controls to address those risks. Routinely review COOPs covering critical administrative support and financial accounting and reporting activities. Test the plans periodically to ensure they remain reliable and practical for the Department's current operations, information technology systems, and changing environments.	Concur
8	28	No	Consider implementing policies and procedures to evidence review and approval of telecommunications invoices, prior to their release in NH FIRST and posting to Department revenue accounts. DAS should consider whether it should take steps to implement an effective audit trail for	Concur

Recommendation Summary

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
			the review and approval of invoice batches within NH FIRST.	
9	29	No	Test backup processes at least annually and document the results. Deficiencies detected during testing should be remediated immediately to reduce the risk of loss of critical information.	Concur
10	30	No	Prioritize the results of prior and current audits and create a corrective action plan to resolve all audit findings as soon as possible.	Concur
11	32	Yes	Adopt administrative rules as required by statute. If the Department determines administrative rules are not necessary, request a statutory revision.	Concur
12	33	Yes	Seek to amend RSA 94:1-a to clarify the unclassified position titles and ensure division directors are being compensated at the correct salary pay grade. Consult with DAS-DoP to determine if a statutory revision to include the Department's tenth unclassified position is necessary. Seek clarification from DAS-DoP, or obtain an opinion from the Attorney General's Office, on whether Department employees are correctly classified.	Concur
13	36	No	Comply with RSA 21-I:42, XIII and administrative rule Per 801.06 (a) and perform annual performance reviews timely for all full-time classified employees. Determine whether the current process used to identify employees due for performance evaluations is sufficient in design and operation to identify all employees due for an evaluation.	Concur
14	37	No	Establish policies and procedures to ensure biennial reports are filed as required by statute.	Concur

STATE OF NEW HAMPSHIRE
DEPARTMENT OF INFORMATION TECHNOLOGY
INTERNAL CONTROL REVIEW – REVENUES AND EXPENDITURES

BACKGROUND

The Department of Information Technology (Department) was created as a State agency under RSA 21-R in September 2008 and has the legal authority to manage and coordinate all technology resources in the executive branch of government, develop and implement strategies to enhance State services, and create statewide efficiencies using information and other technologies.

Prior to 2008, the Department was known as the Office of Information Technology and was part of the Office of the Governor from 2003 until 2008. Before 2003, State information technology resources were primarily decentralized and received limited oversight by the Department of Administrative Services' Division of Information Technology Management.

As of March 31, 2024, the Department supported 39 Executive Branch agencies, with their mission to provide comprehensive technical leadership and solutions to agency partners in a secure, transparent, and fiscally responsible manner in service to the citizens of New Hampshire.

Organizational Structure

The Department had several organizational components. The Commissioner of the Department, also known as the Chief Information Officer (CIO), is the head of the agency appointed by the Governor, with the advice and consent of the Council, for a four-year term. The Department also has a Deputy Commissioner and Chief Information Security Officer (CISO) who report directly to the CIO. RSA 21-R:5 established four divisions, which reorganized the internal structure of the Department effective July 2023: Business Relationship Management, User Experience, Infrastructure and Operations, and User Services. Other Department functions are carried out by additional offices: Bureau of Finance and Administration, Governance and Strategic Planning Group, and Cybersecurity Group. The Department's human resources functions are administered by the Office of the Commissioner.

Business Relationship Management Division

Formerly known as the Agency Software Division, the Business Relationship Management Division worked to create positive, collaborative, and trusted business relationships with State agency business leaders. The division staffs embedded employees within State executive agencies to provide technical expertise and administer the information technology functions of the embedded agencies.

User Experience Division

The User Experience Division worked to improve digital government in New Hampshire through a more unified web presence, intuitive navigation, and increased accessibility. Within the division are the following two groups:

- SharePoint Support, which assists agencies with building out Intranet sites using SharePoint.
- Web Content Management, which supports public-facing websites and the migration onto the Drupal web platform.

Infrastructure and Operations Division

The Infrastructure and Operations Division worked to provide the best possible technology infrastructure and services to State agency partners to enable and facilitate the fulfillment of their core missions. The Division provides sustainable, scalable, efficient, secure, and cost-effective information technology infrastructure to agency customers that are administering the continually evolving and essential State government programs.

User Services Division

Formerly known as the Technical Support Services Division, the User Services Division assisted customers in meeting their goals by providing enterprise information technology services such as computer hardware, software licenses with Enterprise Desktop Services, mobile device management, help desk services, messaging, email and data security, identity management, endpoint security with messaging, collaboration, and security. Within the division are the following two groups:

- Enterprise Desktop Services (includes Help Desk Services), and
- Messaging, Collaboration, and Security.

User Services is described as the “face” of the Department due to its role of directly interacting with customers through its Help Desk Services.

Bureau of Finance and Administration

The Bureau of Finance and Administration worked collaboratively with State partners to provide information technology product and procurement support, and to support the personnel within the Department of Information Technology for all departmental activities related to information technology procurement, budget administration, and financial activities.

Governance and Strategic Planning Group

The Governance and Strategic Planning Group provided guidance and leadership on technology, strategic planning, governance, and contracting initiatives that foster innovative thinking, definition, and achievement of key State goals, objectives, and organizational process improvements for the benefit of the Department and its agency partners. Within the group are the following sub-groups:

- Contracts and Procurement,
- Digital Transformation Program,

- Policies and Standards, and
- Project Management Central.

Cybersecurity Group

The Cybersecurity Group worked collaboratively to develop short and long-term layered security strategies, develop robust security architectures, provide proactive and innovative security services, create security policies and standards, and ingrain security awareness in the State's information technology environment.

Staffing

During the audit period, the Department employed 338 full-time and 13 part-time classified employees. The Department also employed ten unclassified employees, those being: the Commissioner, Deputy Commissioner, CISO, Assistant CISO, Director of Agency Software, Assistant Director of Agency Software, Director of Infrastructure and Operations, User Experience Director, User Services Director, and the Director of System Operations. While some employees work at the Department headquarters in Concord, others are embedded within other agencies throughout the State.

Advisory Board

RSA 21-R:6 established the Information Technology (IT) Council, an advisory board for the Commissioner. The IT Council is comprised of several members from state, municipal and county government, academia, and the business community. The IT Council was tasked with advising the Commissioner on statewide strategic technology plans, outsourcing relationships, computer systems consolidation, implementation of centralized services, IT resource changes, statewide IT policies and standards, IT budgeting and resource allocation, and the security of data shared with the federal government. Prior to its April 2024 meeting, the IT Council had not met since August 2022.

Financial Activity

The financial activity of the Department was accounted for in the State’s General Fund and Capital Projects Fund. A summary of Department revenues and expenditures recorded in the State’s accounting system, NH FIRST, for the nine months ended March 31, 2024 is shown in the following schedule:

Revenues and Expenditures for the Nine Months Ended March 31, 2024 (UNAUDITED)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>Restricted Revenues</u>			
Interagency IT Services	\$ 78,360,535	\$ -0-	\$ 78,360,535
Interagency Telecommunications	4,388,537	-0-	4,388,537
Other	203,342	-0-	203,342
Total Restricted Revenues	\$ 82,952,414	\$ -0-	\$ 82,952,414
<u>Expenditures</u>			
Salaries and Benefits	\$ 34,779,901	\$ -0-	\$ 34,779,901
Software and Software Licenses	29,646,477	-0-	29,646,477
Consultants	17,937,076	-0-	17,937,076
Hardware	8,243,909	-0-	8,243,909
Telecommunications	2,079,063	-0-	2,079,063
Contracts	784,375	-0-	784,375
Miscellaneous	490,120	-0-	490,120
Major IT Systems	-0-	830,782	830,782
Total Expenditures	\$ 93,960,921	\$ 830,782	\$ 94,791,703

Source: NH FIRST State Accounting System

The Department, as a shared service center providing information technology services to State agencies, is primarily funded by receipts from the State agencies receiving services based on a comprehensive cost allocation plan. State agencies were billed by the Department monthly to recoup the costs of direct and indirect services provided. Department expenditures were allocated to agencies based on direct costs, shared services, and shared operations.

Direct costs consisted of costs that were directly attributable to an agency such as salaries and benefits for positions of embedded Department personnel assigned to the agency. *Shared services costs* included costs for services that are shared between two or more agencies which requires allocation such as the User Services Division help desk. *Shared operations costs* consisted of costs related to the administrative functions of the Department which requires allocation across all agencies such as the salaries and benefits of the Bureau of Finance and Administration and CIO office personnel.

The methodologies used to allocate shared costs were categorized as people-based, time-based, transaction-based, facility space, and direct. The methodologies involved the use of statistics as data sets such as the number of filled positions, time tracking hours, personal computer (PC) counts, amount of disk space utilized, number of pages printed, and number of software licenses.

The Department also provides statewide telecommunications services to State agencies and others including the installation and maintenance of Voice over Internet Protocol (VoIP) telephones and service functionality, business and Centrex telephone lines, data circuits, legacy services, building cable, and associated telephone equipment. The requesting office is billed by the Department for the telecommunications and core network services, equipment, and supplies provided.

OBJECTIVES, SCOPE, AND METHODOLOGY

Audit Objectives

1. Assess the control environment, including management's policies and procedures for the establishment and maintenance of an effective internal control system over the receipt, deposit, recording, and reporting of the Department's revenues, and the authorization, payment, recording, and reporting of its expenditures.
2. Assess the adequacy of the design of internal controls over the receipt, deposit, recording, and reporting of the Department's revenues, and the authorization, payment, recording, and reporting of its expenditures.
3. Assess the establishment/implementation of the internal controls as designed.
4. Assess the operation of the internal controls, including:
 - Functional compliance with laws, rules, regulations, contracts, agreements, and written policies and procedures related to the Department's revenues and expenditures.
 - Functional compliance with stated (but not necessarily documented) policies and procedures related to the receipt, deposit, recording, and reporting of the Department's revenues, and the authorization, payment, recording, and reporting of its expenditures.
 - Adequacy of segregation of duties and responsibilities related to the receipt, deposit, recording, and reporting of the Department's revenues, and the authorization, payment, recording, and reporting of its expenditures.

Audit Scope

The scope of our audit included a review of internal controls over the Department's revenues and expenditures, including the receipt, deposit, recording, and reporting of revenues; the authorization, payment, recording, and reporting of expenditures; and review of the Department's compliance with laws, rules, regulations, contracts, agreements, State-wide policies and procedures, and the Department's internal policies and procedures.

The audit period was July 1, 2023 through March 31, 2024.

Audit Methodology

1. Interviewed the Department's personnel.
2. Reviewed internal control documentation, including the State's and the Department's:
 - Policies and procedures,

- Revenues and expenditures documentation,
 - Documentation of systems and other relevant information, and
 - Significant contracts and agreements.
3. Reviewed laws, rules, regulations, agreements, and policies and procedures over the receipt, deposit, recording, and reporting of revenues and the authorization, payment, recording, and reporting of Department expenditures including:
- State laws,
 - Federal laws and regulations,
 - New Hampshire administrative rules,
 - Department of Administrative Services Manual of Procedures,
 - Collective Bargaining Agreement,
 - State-wide policies and procedures, and
 - Agency-based policies and procedures.
4. Observed the revenue and expenditure processes.
5. Reviewed the design and operation of controls through tests of transactions, review, and evaluation of supporting documentation.

PRIOR AUDIT

There are no prior audits that specifically addressed internal controls over the Department's receipt, deposit, recording, and reporting of revenues and authorization, payment, recording, and reporting of expenditures. The Office of Legislative Budget Assistant issued a financial and compliance audit report of the Office of Information Technology for the nine months ended March 31, 2006 and a performance audit report of the Department of Information Technology in March 2018. The Current Status of Prior Audit Findings beginning on page 39 of this report presents the status, as of January 2025, of those prior findings that are applicable to the scope of this Internal Control Review. A copy of the prior audit report can be accessed at, and printed from, the Office of Legislative Budget Assistant's website at: www.gencourt.state.nh.us/lba/auditreports/financialreports.aspx.

FINDINGS AND RECOMMENDATIONS

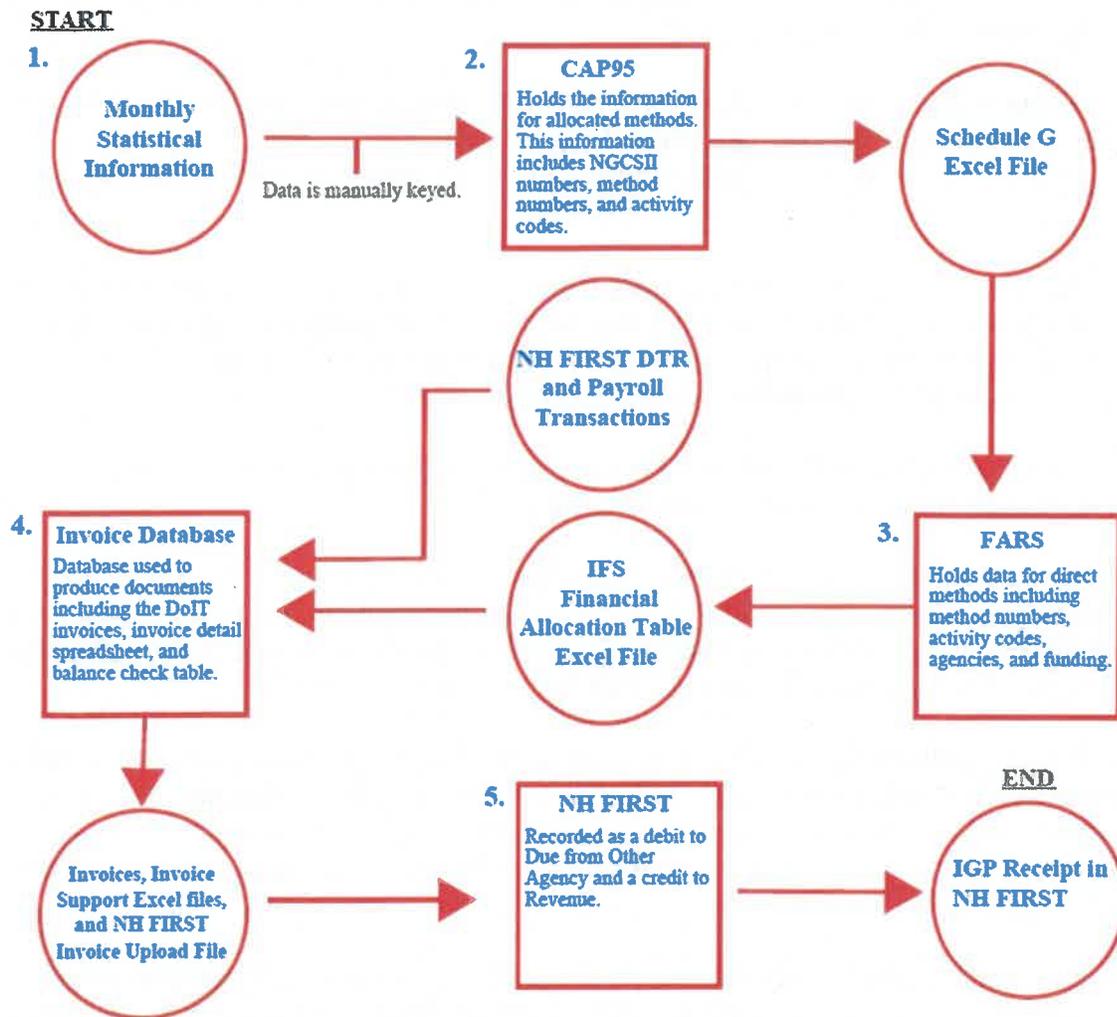
Observation No. 1

Controls Over Cost Allocation Process Should Be Strengthened

The Department of Information Technology (Department) has not implemented sufficient internal controls over its cost allocation process.

The Department is a shared service center that provides information technology services to State agencies. Agencies are billed monthly by the Department to recoup the direct and indirect cost of goods and services provided. Expenditures eligible for allocation are identified using NH FIRST activity codes and accounting units, enabling the Department to identify and appropriately allocate the costs incurred. The Department collects various data sets, referred to as statistics, which are keyed into the CAP95 application. The CAP95 software calculates the allocation percentages using various cost allocation methods for each agency by activity code and generates results in an Excel file referred to as a "Schedule G". The Schedule G is imported into the Financial Allocation Reporting System (FARS) database, where additional direct costs are added prior to generation of the IFS Financial Allocation Table (Allocation Table) which is used to create agency invoices. There is no validation check to ensure all information on the Schedule G is uploaded completely and accurately into FARS, prior to the generation of the Allocation Table, increasing the risk that information used to create agency invoices is not transferred completely and accurately.

The chart on the following page is an illustration of the Department's cost allocation process:



Source: LBA Analysis of the Cost Allocation Process

The Department relies heavily on its CAP95 system to allocate costs but was unable to recalculate percentages used to allocate costs to user agencies. The calculations occurred within the CAP95 system itself, and there is little to no knowledge or supporting documentation of the CAP95 system's internal workings.

While the monthly cost allocation procedures are documented to allow staff to complete the monthly invoicing and collections process, the Department does not maintain sufficient documentation to allow staff or management to accurately and efficiently recalculate the costs allocated to ensure the process is operating as intended, as evidenced by the following:

1. The Department maintains a cost allocation methodology table listing each allocation methodology which describes the methodology number, establishment date, description, status, allocation type, who to collect statistics from, the frequency of statistics collection, and method type among other things.

The following issues were noted during review of the cost allocation methodology listing for the March 2024 invoicing process:

- a. 115 out of 287, approximately 40%, of the methodologies noted the statistics to be used in the allocation were to be collected from individuals no longer employed by the Department. Auditors noted the individuals had terminated employment with the Department between one-and-a-half years and 13 years prior.
 - b. The cost allocation methodology table indicates that method A144, relating to on-call services, equally splits expenditures four ways between participating agencies, whereas in practice the method is split equally among seven agencies. More agencies have since opted in, but the methodology table was never updated.
 - c. Two of 18 methods selected for review as part of cost allocation testing did not include all relevant statistical inputs in the description.
 - d. The methodology table is high-level in nature, only providing a brief, generalized description of the methodologies and contact information for who to select the statistical information from. The listing does not provide a detailed description of the methodologies or explain when and how the methodologies should be used.
2. The Department does not maintain a detailed description or explanation of the mechanics behind the cost allocation process, including how to recalculate allocation percentages resulting from cost methodologies that utilize a “method within a method”. There was no formal guidance available that would allow Department staff or management to confirm that certain costs had been allocated correctly.
 3. During the audit period, the Department relied primarily on one long-tenured employee to complete the cost allocation process. Upon the departure of that employee in July 2024, neither the cost allocation staff nor the Director of Finance were able to provide a recalculation of the cost allocations performed by its CAP95 system for three out of 45, or approximately 7%, of cost allocation items selected for testing. Additionally, the Department was not able to sufficiently explain how the CAP95 system calculated the allocation percentages used to allocate costs, stating that it was a “black box” calculation performed by the system, and could not be manually recalculated.

Cost allocation systems are intended to ensure shared costs, like administrative overhead, are distributed in an equitable and transparent manner among those consuming services. Cost allocation systems should be transparent to provide useful information to the user agency.

Recommendation:

We recommend the Department:

- **Determine whether the Cost Allocation Methodology Table is a formal resource of the Department that is still applicable to the cost allocation process. If it is determined**

to be useful, the Department should make efforts on a regular and recurring basis to ensure the Table reflects current practices.

- **Establish comprehensive and documented policies and procedures for all cost allocation financial accounting and reporting activities to support the responsibilities of key employees, and to provide for continuity of operations upon employee turnover. Applications and databases utilized during the generation of the monthly invoices to user agencies should be sufficiently documented, and the allocation methods, codes, adjustments, and statistics should be described and documented to allow for management review and periodic monitoring of the process. Management should be able to recalculate and substantiate all costs invoiced to user agencies.**

Auditee Response:

We concur. DoIT is in the process of updating our cost allocation system from Cap95 to CapPLUS. The update includes reviewing and updating the Cost Allocation Methodology Table to ensure the information is accurate, complete, and reflects best practices. As the new system is implemented, DoIT will work with the vendor to update policies and procedures in order to reflect the current activities and responsibilities of key employees and provide continuity of operations. Date of completion: ongoing.

Observation No. 2

Controls Over Expenditure Process Should Be Strengthened

The Department's internal control processes over expenditures exhibited weaknesses which increase the risk that expenditures may not be processed accurately and in accordance with approved contract terms and standard State requirements.

Weaknesses in the areas of invoice review and monitoring were noted, as described below:

Invoice Review

The Department was not able to provide auditors with sufficient documentation to recalculate approximately \$1.1 million, or 5.1%, of the nearly \$21.7 million of the non-payroll expenditures selected for review. The Department could not demonstrate that: 1) payments on invoices complied with approved contract terms or 2) the appropriate amount was charged for six of 45, or 13.3%, of the non-payroll expenditures selected for review. The six invoices in question, totaling approximately \$1.1 million, were for consulting services.

According to the Department, accounts payable staff relied on the invoice approver's "okay to pay" to provide assurance that invoices were accurate and paid in accordance with the purchase order and contract payment terms. Accounts payable policies included procedures for agreeing invoices to purchase orders, but the policies were silent with respect to ensuring invoices were in compliance with contract payment terms. It was not clear if the Department's invoice approvers were aware of their responsibility to check for compliance with the contract.

The lack of a formal policy and procedure to ensure vendor invoices complied with contract payment terms increases the risk of noncompliance and inaccurate recording of expenditures in NH FIRST.

Monitoring

The Department did not perform a monthly reconciliation of expenditures reported on the NH FIRST Detail Transaction Register to supporting documentation, as required by the State's Manual of Procedures (MOP) issued by the Department of Administrative Services (DAS).

MOP Section 2700, C, 2 states the following: "DAS Financial Data Management Unit (FDM) will make the Detail Transaction Register and Detail Unrestricted Revenue reports available monthly. When the foregoing reports are available, agencies shall reconcile the reports to their original documents in order to check for accuracy."

While the Department reports the Bureau of Finance and Administration performed a high-level monthly review of the Detail Transaction Register as compared to the Statement of Appropriations, it did not maintain documentation of the performance, and it did not appear the review included a reconciliation to supporting documentation as required for all State agencies.

Recommendation:

We recommend the Department:

- **Expand accounts payable policies and procedures to include procedures for ensuring invoices are in compliance with significant contract payment provisions, including charging the correct accounting unit, class, account, and amount in NH FIRST. Policies and procedures should identify what items embedded and business office staff are responsible for reviewing prior to paying an invoice.**
- **Comply with DAS MOP 2700 and perform a monthly reconciliation of the NH FIRST Detail Transaction Register to supporting documentation (invoices paid). The review and approval of the reconciliation should be evidenced for management's review. The process should be supported by written policies and procedures and should be approved by the appropriate level of management.**

Auditee Response:

We concur. DoIT Accounts Payable will expand their policies and procedures and provide updated training to ensure invoices are in compliance with significant contract payment provisions and comply with DAS MOP 2700. Date of completion: January 2025.

Observation No. 3

Controls Over Use Of NH FIRST Activity Codes Should Be Strengthened

The Department does not have sufficient internal controls in place to ensure its expenditures are assigned to the proper activity codes.

The NH FIRST state-wide accounting system allows agencies to track expenditures by project via the use of activity codes. As of May 2024, there were approximately 59,000 activity codes available for use within NH FIRST, 2,000 of which are related to and used by the Department.

The Department assigns activity codes to expenditures to aid in accumulating and tracking expenditures, including salaries and benefits expenditures, for proper allocation of information technology (IT) costs to user agencies. Department employees are responsible for assigning their time worked to the proper activity codes during completion of their electronic biweekly timecards. Guidance on the use of activity codes is informally communicated to employees by their supervisors. Employees are not provided with formal guidance or training on activity code definitions or circumstances under which activity codes are to be used.

Employees have access to select from 59,000 statewide activity codes when completing their biweekly timecards in the NH FIRST Time Management module. According to DAS, this is because the Time Management module does not have the same “security” function that other modules in NH FIRST have which prevent employees from accessing the activity codes of other agencies.

While DAS noted the activity code is a “tag” on the transaction, used for reporting and tracking, but does not govern how the pay is expensed in the general ledger, auditors noted it is an integral component of the Department’s cost allocation process for assigning costs and seeking reimbursement from agencies for their direct and allocated expenditures.

The Department recorded approximately \$83 million in revenues during the nine months ended March 31, 2024, of which approximately 95% is cost allocation revenue derived from the use of activity codes assigned to expenditures.

Additionally, while the potential to charge expenditures to the incorrect activity code is exacerbated within the Time Management module due to employees’ ability to access all state-wide activity codes and the sheer volume of activity codes available from which to select, the potential to record expenditures to the incorrect activity code exists across all expenditure types.

Upon request, the Department provided auditors a listing of 2,000 Department-related activity codes. The listing was comprised of only a short acronym with a two-to-three-word description of each activity code, which does not appear to be comprehensive enough to allow for the accurate and consistent assignment of activity codes to all of the Department’s expenditures.

Review of the Department’s expenditures revealed the following:

- four of six transactions selected for review as part of a test of salaries and benefits expenditures initiated outside of the NH FIRST Payroll module were processed as adjusting entries because the original transactions were posted to incorrect activity codes.
- one of five transactions selected for review as part of a test of negative expenditures was processed as an adjusting entry because the original transaction was posted to an incorrect activity code.
- 14 of 45 transactions selected for review as part of a test of salaries and benefits expenditures were posted to an activity code that differed from the employee's "home" activity code. The Department was unable to substantiate or provide additional supporting documentation for auditors to review and ascertain that the assigned activity code was appropriate.

The Department's lack of formally documented guidance or training on the use of activity codes increases the risk of improper assignment of expenditures to activity codes and, as a result, the inaccurate allocation of IT costs to user agencies.

Recommendation:

We recommend the Department develop policies and procedures for assigning activity codes in NH FIRST, whether when completing timecards, or assigning activity codes to invoices for payments and other transactions in the general ledger. Policies should include a comprehensive and descriptive listing of activity codes available for use or specify the process to follow when the choice of activity codes is unclear.

The Department of Administrative Services should consider whether implementing a security check for the Time Management module, like other NH FIRST modules, is feasible and would be worth the cost to implement.

Auditee Response:

We concur. DoIT Cost Allocation will develop training and updated policies and procedures for assigning activity codes in NH FIRST, when completing timecards, or assigning activity codes to invoices for payments and other transactions in the general ledger. Date of completion: January 2025.

Department of Administrative Services Response:

We concur. During 2025, NH FIRST will be upgraded to the Cloudsuite Financials ERP system, which will allow agencies to utilize integrated financial modules including project accounting (the replacement for current activity codes) and billing. Agencies implementing Workforce Management (WFM) for timekeeping will also be able to assign activity codes in timecards and effectively utilize this information as part of an integrated billing module. Over time, the Department intends to take full advantage of enhanced functionality and audit features that are not available in the current system.

Observation No. 4

R&R System User Access Permissions Should Be Strengthened

Approval authorities in the Department's Requests and Requisitions (R&R) system are not appropriately restricted to ensure the Department's controls are operating as intended.

Information technology (IT) purchases funded by State agency transfers to DoIT are entered into the Department's R&R system and require the following review and approvals:

1. Agency Approver - an individual who has authority to review and approve IT purchase requests on behalf of a specific agency, or the Department's authorized approver for shared IT purchase requests.
2. DoIT Operations and Infrastructure Director or designee
3. DoIT User Services Division Director or designee
4. DoIT Bureau of Finance and Administration Director or Business Administrator III
5. DoIT Chief Information Officer or designee if the expenditure is greater than \$5,000

IT purchase requests are tracked using a Request ID (RID) and evidenced via a timestamp that can be reviewed in the R&R system history screen.

Several DoIT employees have multiple approval authorities in the R&R system which appear excessive based on current job responsibilities and incompatible to a properly designed system of internal controls. Auditors noted that ten employees have Chief Information Officer (CIO), Agency, Technical Support Services (TSS), Operations Services (OPS), Finance, Purchasing, Receiving, and Buyer approval-level authorities. These permissions allow one employee the ability to approve Department purchase transactions in the R&R system across all five required approval levels, potentially negating the intended purpose of the approval function, and rendering the Department's established approval control ineffective.

Nine of the employees with incompatible approval authorities are located within the Bureau of Finance and Administration, and one employee is located within the Business Relationship Management Division.

A similar comment was noted in our 2006 financial and compliance audit report of the Department regarding the R&R system (formerly called A&E), which recommended "*OIT should review its assignment of employee responsibility over the A&E and OASys to ensure that assigned as well as unintended employee duties and responsibilities are properly segregated and provide the intended controls over OIT's critical systems.*"

Recommendation:

We recommend the Department:

- **Review the assignment of authorities within the R&R system to ensure employee approval authorities are compatible, limited to only those individuals who need**

access, and established to achieve proper oversight and control over the disbursement process as intended by management.

- Establish policies and procedures for periodically reviewing R&R system approval authorities to determine whether access is appropriately restricted based on current job function and related responsibilities.

Auditee Response:

We concur. DoIT will review the existing employee approval levels in R&R and adjust to ensure the access is appropriately assigned to achieve proper oversight and control over the disbursement process. Initial date of completion: January 2025 with an ongoing review.

Observation No. 5

Controls Over Telecommunications Financial Operations Should Be Strengthened

The system of internal controls in place over the Department's telecommunications financial operations exhibited weaknesses that impacted its ability to process telecommunications-related revenues accurately, efficiently, and effectively.

The following weaknesses were noted:

- The Department has not adopted a comprehensive manual, subject to the approval of the Governor and Council, governing the telecommunications process, as required by RSA 21-R:4, XX.
- The Account Auditor III, primarily responsible for collecting and logging cash receipts, stamping checks for deposit only, and bringing daily cash receipts for non-State customers to the bank, performs the incompatible duties of recording and maintaining custody of cash receipts.
- The basis for surcharges billed to customers is not documented. Surcharges collected by the Department for telecommunication and network services provided are authorized by a footnote in the fiscal year 2024 budget. The footnote states: "The Department of Information Technology is authorized to assess a fair and equitable charge for telecommunications and core network services, equipment, and supplies." The Department was unable to provide documentation to support how it arrived at the fee amounts charged, and could not explain what criteria was used to determine the fees were fair and equitable. While the Department provided auditors with a fee listing, the Department reported the listing was for agencies to use as a budgeting tool, and it did not reflect actual fees charged. Additionally, the Department did not have a comprehensive telephony fee schedule published and available for user agency review.

The review and approval of telecommunications invoice batches released in NH FIRST for billing to State agencies is not evidenced in audit logs. Audit logs are records of events and activities that occur within an information system and are crucial for ensuring transparency, accountability, and the integrity of financial operations.

Telecommunications invoices are uploaded to NH FIRST. The Account Auditor III generates a BL120 Invoice Edit Report containing the amount of each invoice in the batch as well as a batch total and the Report is sent to the Database Network Administrator 6 for agreement of the batch total and invoices to supporting documentation. Once the review for completeness and accuracy is complete, the Database Network Administrator 6 releases the batch in NH FIRST, which automatically posts revenues from other State agencies to the Department's account. While the Department reports the afore-mentioned review of invoices is performed, it cannot be verified because the audit trail provided by the NH FIRST approval/release process of the batches has not been established and no manual approval exists.

The Telecommunications billing batches uploaded to NH FIRST in July 2023 were not sufficiently reviewed prior to posting resulting in an error greater in magnitude than the entire population of other revenues posted during the audit period as further described below:

During testing, auditors noted an error correction for two batches of Statewide Telecommunication invoices (STD Internet/Webex and VOIP) posted to NH FIRST by the Department in July 2023. The Department erroneously released an invoice posting a credit to the Telephone Clearing Revenue Account for \$104.1 million. The Department reports the error occurred from keying incorrect quantities into the invoice, causing unnaturally high dollar amounts to be invoiced. The error was not recognized by the Department until after the invoices were released. A credit memo was posted to correct the error four days later.

The above noted weaknesses combine to create an environment that is conducive for errors or frauds to occur and go undetected during the normal course of business.

Recommendation:

We recommend the Department:

- **Establish and document comprehensive policies and procedures governing the telecommunications process to conform with the requirements of RSA 21-R:4, XX, and adopt a comprehensive manual governing the telecommunications process.**
- **Improve the telecommunication check recording and custody process to ensure incompatible duties are appropriately segregated.**
- **Document the basis for surcharges billed to customers and publish a comprehensive fee schedule outlining the precise amount of charges for all services provided.**

- **Consult with the Department of Administrative Services to determine the feasibility of establishing a process flow approval procedure, or similar audit trail, in NH FIRST for documenting the segregation of duties input and approval controls over invoice transactions that are batched. In the meantime, consider documenting the review and approval of the batch uploads utilizing a manual process.**

Auditee Response:

We concur. DoIT Telecommunications will document comprehensive policies and procedures governing the telecommunications process to conform with the requirements of RSA 21-R:4, XX. Telecommunications is in the process of updating the comprehensive manual governing the telecommunications process for submission to and approval by Governor and Council. Telecommunications has one Accountant II to process financial transactions including receipt of checks and recording and will work with the DoIT Business Office to segregate check recording and depositing responsibilities. Telecommunications currently publishes fees and rates for the most requested services in the DAS Budget Manual. DoIT will document the basis for surcharges and will investigate posting the actual rate charged on a quarterly basis. Date of completion: June 2025.

Department of Administrative Services Response:

We concur. The upgrade of NH FIRST to the Cloudsuite Financials ERP system will include a number of integrated process flows, as well as full audit capability as part of core functionality. The Department intends to take full advantage of enhanced functionality and monitoring tools to assist with post audit and error detection.

Observation No. 6

Implement Effective Monitoring Controls Over Salaries And Benefits Expenditures

The Department has not implemented effective monitoring controls over its salaries and benefits expenditures.

While the Department has implemented some procedures for the periodic monitoring and review of salary and benefits expenditures, the processes in place have not been formally documented, and management approval is not evidenced.

Biweekly Payroll Review

The Department performs a biweekly review of the payroll register report, which details pay by employee as part of the normal payroll cycle. According to the Department, the purpose of the review is to ensure payroll is processed accurately. However, the review is largely focused on employees with known payroll or human resources events, such as new hires, employees entering into or returning from Family and Medical Leave Act (FMLA) status, or terminating employees, and is not detective in nature, increasing the risk that previously unidentified errors may occur without being timely detected.

The following weaknesses relative to the Department's monitoring of salary and benefits expenditures were identified during the audit:

1. Payroll duties are not properly segregated as the biweekly payroll review is performed by the employee who regularly processes payroll, increasing the risk that errors or frauds may occur and go undetected and uncorrected by management. The employee performing the biweekly payroll review is also responsible for processing employee timecards, manually entering termination payouts, and adjusting employee benefit enrollments in NH FIRST.
2. During review of termination pay, auditors noted one instance where an employee was underpaid by \$167 for three-and-one-half hours due to erroneously selecting a TRM pay-code rather than a sick-pay code when completing their timesheet. The error went undetected by the employee's immediate supervisor, the Department's review of the payroll register report, and the Department of Administrative Services. The error was discovered when the employee brought the underpayment to the Department's attention after receiving payment.
3. While the Department reports that management also performs a biweekly comparison of payroll expenditures to the NH FIRST Statement of Appropriations for reasonableness, and to identify potential budgeting shortages and overages, this process is not formally evidenced, and is not described in the Department's established policies and procedures.

Review of Termination Pay

One Department employee is responsible for handling virtually all responsibilities relating to employee termination payouts in NH FIRST. The employee determines and manually keys the termination payout information into NH FIRST, reviews the biweekly payroll register report to ensure the payout was processed accurately, and "zeroes out" the employee's leave balances in NH FIRST subsequent to payment. There is no secondary level of review performed at the Department to mitigate the incompatible duties of processing termination payouts and performing an independent review for completeness and accuracy. The Department reportedly relies on the Department of Administrative Services' Division of Personnel (DAS-DoP) to perform a secondary review and approval function prior to payout.

While the Department reports the NH FIRST system has automated controls to prevent the improper payout of employee leave balances at termination, further inquiry with DAS-DoP indicated these automated controls do not apply to sick leave-related payouts. Additionally, as described in number two above, an active employee of the Department inadvertently selected a sick-leave related termination pay-code when completing their biweekly timesheet, resulting in an underpayment. Therefore, a more robust review and approval of termination pay at the Department level may be warranted.

Recommendation:

We recommend the Department strengthen controls over the salaries and benefits expenditures monitoring and review processes. Written policies and procedures should be established to ensure the processes can continue to be completed in the absence or departure

of key employees, and to ensure consistency in approach. Policies and procedures should include:

- a more comprehensive review of the biweekly payroll register report which would allow for the Department to identify issues of which it may not be aware;
- evidence of the completion of the review process;
- a separate management review and approval function performed by an independent employee at the appropriate level of management; and
- steps to ensure identified errors or discrepancies resulting from the reviews are appropriately addressed.

The Department should develop, document, and implement policies and procedures for employee termination payouts, and include a review and approval process by the appropriate level of management.

Auditee Response:

We concur. Human Resources will strengthen controls over the salaries and benefits expenditures monitoring and review processes. DoIT will also establish written policies and procedures to include review and approval by the appropriate level of management to ensure continuity and consistency in approach. Date of completion: May 2025.

Observation No. 7

Prepare, Implement, And Maintain Fundamental Internal Control Processes And Plans

The Department has not prepared and implemented certain internal control processes and plans that are generally regarded as fundamental to an efficient and effective system of internal controls. During the nine months ended March 31, 2024, the Department had not established a formal risk assessment process, or regularly updated and tested its continuity of operations plans (COOP) covering critical administrative support and financial accounting and reporting activities.

Risk Assessment

Risk assessment is the process of identifying, assessing, and responding to risks related to the achievement of the entity's objectives and is one of the five generally accepted components of internal control. A prerequisite to an effective risk assessment is the establishment and recognition of objectives and the identification of risks that may put achieving those objectives in jeopardy. An effective and documented risk assessment process is an ongoing process that is foundational to the development and implementation of controls intended to identify and eliminate, mitigate, or otherwise manage identified risks. A formal and well-planned risk assessment process increases the likelihood that the appropriate balance between the cost and benefit of controls can be understood and become the basis for controls put into operation. As risks change over time due to changes in processes, information technology, and environment controls intended to mitigate risk may become inefficient and ineffective. Without an ongoing risk assessment process, the

identification and response to risk often occurs in a reactive mode, after a risk has been realized and a loss incurred.

The Department reports that it assesses risk informally, on an ongoing basis via ad-hoc meetings as deemed necessary. However, there are no formal procedures established for the periodic assessments of risk, nor are the results of the ad-hoc meetings formally documented.

Business Continuity Plans

Business continuity plans are put in place to ensure that an entity will be able to maintain all areas of its essential operations or be able to resume essential operations as quickly as possible in the event of a crisis or emergency. A comprehensive business continuity plan should encompass all aspects of disaster prevention, mitigation, and response. Business continuity plans should be tested at least annually, as well as reviewed to ensure they remain relevant whenever processes change.

The Department has five COOPs, and one continuity of government plan which serves to coordinate the COOPs. The Department's COOP covering the Chief Information Office and Bureau of Finance and Administration has not been updated since November 2021 and has not been tested since March 2022.

Business continuity plans that are not reviewed and tested timely may be out of date and not cover current operations or translate to actionable steps in the event of crisis or disaster. By not routinely testing the plan, the Department runs the risk of not discovering potential shortcomings, and only discovering weaknesses during an actual disruption.

A similar comment was noted in both our 2006 financial and compliance audit report and our 2018 performance audit report.

Recommendation:

We recommend the Department:

- **Establish a formal risk assessment process for recognizing, evaluating, and responding to risks that could affect the Department's ability to reach its financial accounting and reporting objectives. The process should include an IT security risk assessment to ensure the Department's information assets are adequately considered.**
- **Regularly review its financial and operational activities for indicators of risk exposure and establish and monitor controls to address those risks. Department employees with areas of expertise and knowledge of Department operations should participate in the review to ensure that details of operations that may not be obvious to management are appropriately considered.**
- **Routinely review its COOPs covering critical administrative support and financial accounting and reporting activities. The plans should be tested periodically to ensure they remain reliable and practical for the Department's current operations, information technology systems, and changing environments.**

Auditee Response:

We concur. Currently DoIT performs risk assessments as part of our contracting process and for specific agency applications. DoIT will establish a formal risk assessment process and test plans periodically as funds are available. Our current COOP process will be shifted under our Policies program to ensure proper focus and recurring review. Date of completion: ongoing, as available funding allows.

Observation No. 8

Implement Policies And Procedures To Document Approval Of Invoice Batches In NH FIRST

The Department does not consistently evidence the review and approval of invoice batches in the NH FIRST statewide accounting system.

The Department has two primary sources of funding: revenue class 001 (interagency transfers) for information technology (IT) services provided by the Department to other State agencies and revenue class 003 (revolving funds) for telecommunications services provided by the Department to State and non-State agencies. Both revenue processes require a DoIT employee to enter invoices into NH FIRST, and a secondary supervisory employee to release the invoice transactions (posting them) to the Department's revenue accounts.

As previously noted in Observation No. 5, NH FIRST does not evidence or maintain an audit log documenting the employee who released the invoice batches or when the release was performed, making it difficult to determine whether these duties have been appropriately segregated.

The Bureau of Finance and Administration, which is responsible for processing the class 001 cost allocation revenue of the Department, evidenced its review and approval of invoice batches released in NH FIRST via email communications, in addition to the electronic NH FIRST approval process. However, the Department's Telecommunications Group did not separately document its review and approval of invoice batches outside of the electronic NH FIRST approval process. As a result, auditors were not able to obtain evidence to determine that Telecommunications invoices were appropriately reviewed and approved prior to their postings in NH FIRST.

Recommendation:

We recommend the Department consider implementing policies and procedures to evidence review and approval of telecommunications invoices, prior to their release in NH FIRST and posting to Department revenue accounts.

The Department of Administrative Services should consider whether it should take steps to implement an effective audit trail for the review and approval of invoice batches within NH FIRST.

Auditee Response:

We concur. Telecommunications will implement additional policies and procedures and add an additional review process prior to releasing invoices in NH First. Date of completion: March 2025.

Department of Administrative Services Response:

We concur. The upgrade of NH FIRST to the Cloudsuite Financials ERP system will include a number of integrated process flows, as well as full audit capability as part of core functionality. The Department intends to take full advantage of enhanced functionality and monitoring tools to assist with post audit and error detection.

Observation No. 9

System Backups Should Be Tested Periodically

The Department does not perform periodic tests of system backups to ensure data can be recovered timely and completely in the event of a loss of system data.

The Department's Contingency Planning Policy, which is issued by the Department and applicable to all state agencies, states the following: "SISM [State Information Security Manual] users shall test backup information at least annually to verify media reliability and information integrity. Document the results of the backup tests."

Neglecting to test data backups increases the risk that data backup may be incomplete, corrupted, or otherwise unavailable during a situation where recovery of data from the backup file is warranted, and could result in loss of critical operational and financial data.

Recommendation:

We recommend the Department test its backup processes at least annually and document the results as outlined in the Department's Contingency Planning Policy. Deficiencies detected during testing should be remediated immediately to reduce the risk of loss of critical information.

Auditee Response:

We concur. DoIT recently awarded a contract to implement a Cloud based backup environment, which will replace our existing on-premise solution. The initial phase is in progress and is expected to be completed by June 2025. Once we complete the initial cutover phase, DoIT will develop an annual testing process, which will include documenting results and addressing any findings. We expect the first tests to be completed by December 2025.

Observation No. 10

Prior Audit Findings Should Be Addressed

The Department did not fully resolve all prior audit findings from its most recently completed financial and performance audits. The Office of Legislative Budget Assistant conducted a performance audit of the Department in 2018, and a financial and compliance audit of the Department's predecessor organization in 2006.

The 2006 audit included seven audit findings relevant to our current audit scope which remained unresolved as of the date of this report. The management of DoIT's predecessor [Office of Information Technology (OIT)] concurred or concurred in part with all seven recommendations described below:

- **2006-04, Memorandums Of Agreement Should Support Work Performed For User Agencies** - this audit finding recommended the Department (Office of Information Technology at the time) establish policies and procedures requiring formal memorandums of agreement with all user agencies to evidence OIT and user agency concurrence on services and support to be provided and the costs to be incurred. While memorandums of agreement with partner agencies may cover ongoing services, memorandums covering limited services with non-partner agencies may need to be more specific to those limited services to be provided.
- **2006-10, Formal Risk Assessment Policies And Procedures Should Be Established** - this audit finding recommended the Department establish risk assessment policies and procedures that formalize OIT's risk assessment process and provide for a regular and continuous risk assessment of its operations. *(See current Observation No. 7)*
- **2006-11, Formal Fraud Risk Mitigation Efforts Should Be Developed And Implemented** - this audit finding recommended the Department establish formal fraud risk mitigation policies to help limit OIT's exposure to fraud and to promote timely detection.
- **2006-12, Incompatible Duties Should Be Properly Segregated** - this audit finding recommended the Department review its assignment of employee responsibility over the A&E and OASys to ensure that assigned as well as unintended employee duties and responsibilities are properly segregated and provide the intended controls over the Department's critical systems. *(See current Observation No. 4 and 5)*
- **2006-14, Computer System Access Controls Should Be Reviewed** – this audit finding recommended the Department review the employee access levels in the A&E system. As part of that review, the Department should consider whether the number of people with access levels higher than those required to perform their duties accurately reflects management's intent and is in the best interest of the Department and of the State. *(See current Observation No. 4)*

- **2006-18, Statutorily Required Reports Should Be Prepared And Submitted** - this audit finding recommended the Department prepare and submit statutorily required reports and, if the Department considers statutorily required reports to be no longer necessary, the Department should request a change in statute or relief from the reporting requirements from the responsible body as appropriate. *(See current Observation No. 14)*
- **2006-19, Administrative Rules Should Be Adopted** - this audit finding recommended the Department adopt the required administrative rules as soon as practical. *(See current Observation No. 11)*

The 2018 audit included three audit findings relevant to our current audit scope which remained unresolved as of the date of this report. The Department concurred with all three recommendations described below:

- **2018-13, Simplify Cost Allocation Methodologies** - this audit finding recommended Department management simplify cost allocation methodologies by balancing the goal of being precise against the need to be transparent and efficient in making equitable cost allocations. *(See current Observation No. 1)*
- **2018-14, Improve Billing Process** - this audit finding recommended the department improve the effectiveness and efficiency of the billing process by:
 - Ensuring that all manual entries to allocation methodologies receive a secondary review,
 - Implementing a periodic internal review to assess the accuracy of invoices,
 - Developing policies and procedures to assist agencies on how to review and understand DoIT invoices,
 - Reviewing the data collection frequency schedules,
 - Assessing the necessity to solicit a computer count verification for 25 different State agencies, and
 - Consolidating the data integrity and formatting queries used during the billing process. *(See current Observation No. 1)*
- **2018-22, Adopt Administrative Rules And Unify Policies And Procedures** - this audit finding recommended the Department adopt IT policies and procedures that are to be followed by other agencies in administrative rules or seek specific legislation exempting the Department from the *Administrative Procedures Act*. Regardless of legislative outcome, standardize and centralize policies and procedures. *(See current Observation No. 11)*

A similar comment was noted in our 2018 performance audit report of the Department which found that the Department did not resolve all prior audit findings of the Office of Legislative Budget Assistant. Auditors reported that all four of the findings from the 2006 financial and compliance audit report that were relevant to the 2018 performance audit scope remained unresolved in 2018 even though management concurred or concurred in part with the recommendations. Similarly, auditors reported that three of the seven audit findings from another performance audit report

issued in 2008 remained unresolved or partially resolved in 2018 even though management concurred with all three recommendations.

According to the Department, the specific reasons for the failure to address prior audit findings was dependent upon the area of deficiency. However, the delay in implementing corrective action indicates a significant lack of managerial control and planning. Unresolved audit findings represent gaps in the Department's control environment, increasing the risk that the Department's financial accounting and reporting objectives will not be achieved.

Recommendation:

We recommend the Department prioritize the results of prior and current audits and create a corrective action plan to resolve all audit findings as soon as possible.

Auditee Response:

We concur. Prior audit findings generally mirror the current findings. DoIT will create a corrective action plan to resolve all audit findings as soon as possible.

Observation No. 11

Administrative Rules Should Be Adopted As Required

The Department has not adopted certain administrative rules that are required by statute.

RSA 541-A:16, I, states the following:

In addition to other rulemaking requirements imposed by law, each agency shall:

- (a) Adopt as a rule a description of its organization, stating the general course and method of its operations and the methods by which the public may obtain information or make submissions or requests.*
- (b) Adopt rules of practice setting forth the nature and requirement of all formal and informal procedures available, including:
 - (2) Rules governing adjudicative proceedings pursuant to RSA 541-A:30-a; and*
 - (3) Rules governing public comment hearings for rulemaking.**
- (c) Adopt rules setting the format and procedures for submitting, considering, and disposing of rulemaking petitions under RSA 541-A:4.*
- (d) Adopt rules relating to filing petitions for declaratory rulings and their prompt disposition.*

While RSA 21-R:4, XX exempts the Department from the rulemaking requirements relative to Statewide telephony services, it does not appear to exempt the Department from its obligation to adopt administrative rules in accordance with RSA 541-A:16 related to its organizational structure and other departmental activities.

Similar comments were noted in both our 2006 financial and compliance audit report and our 2018 performance audit report.

Recommendation:

We recommend the Department adopt administrative rules as required by statute. If the Department determines administrative rules are not necessary, the Department should request a statutory revision.

Auditee Response:

We concur. We had previously submitted a statutory revision to DoIT's requirement to adopt administrative rules that was deemed inexpedient to legislate. DoIT will continue to pursue a statutory revision. Date of completion: ongoing.

Observation No. 12

Compensation Practices Should Be Clarified

The Department's compensation practices do not clearly comply with State statute or the Collective Bargaining Agreement.

There are numerous State statutes, administrative rules, and collective bargaining agreements (CBAs) which govern the compensation of State employees. Specifically, RSA 94:1-a establishes the salaries of unclassified employees, and the various CBAs cover the compensation of classified employees.

RSA 94:1-a established the following nine unclassified positions and corresponding salary pay grades within the Department:

1. Commissioner, LL
2. Deputy Commissioner, KK
3. Chief Information Security Officer, II
4. Assistant Chief Information Security Officer, HH
5. Director, HH
6. Director, HH
7. Assistant Director of Agency Software Division, GG
8. Director, GG
9. Director, GG

We noted the following compensation practices implemented by the Department that were inconsistent with the provisions of RSA 94:1-a during the audit period:

- The Department has four division directors being compensated at different salary pay grades (HH or GG). Because the statute did not identify certain division directors within

the Department, it is unclear which director the salary pay grades pertain to. As a result, auditors were unable to confirm that the Department's four division directors were appropriately compensated.

- In addition to the nine unclassified positions specified in statute, the Department employed a tenth unclassified position for a Director of System Operations that was paid at a salary pay grade level FF. The Director of System Operations represents a fifth director-level position that appears to be unauthorized by statute, as described below:
 - RSA 21-R:3, II, states "The department shall consist of 4 divisions, which shall be under the direction of the commissioner. The commissioner shall nominate 4 division directors, who shall be appointed by the governor, with the consent of the council." Thus, it does not appear a fifth director-level position is authorized by statute.
 - The System Operations Division is not a formally recognized division, as RSA 21-R:5 authorizes only the business relationship management, user experience, infrastructure and operations, and user services divisions. Therefore, it does not appear the System Operations Division is a formally recognized, or authorized Department division.

Auditors noted the Systems Operations Division Director has been employed in an unclassified position by the Department since at least 2013, which is the earliest date such information was available for review in NH FIRST.

We noted the following compensation practices implemented by the Department that were inconsistent with the State's CBA during the audit period:

The State's CBA for Service Employees International Union (SEIU) Local 1984 states the following:

- **Article 6.1.** The basic workweek for every full-time clerical, supervisory and professional employee in the state classified service in each unit, with due allowance for authorized holidays and leaves of absence with pay, shall be thirty-seven and one half (37 1/2) hours per week.
- **Article 6.1.1.** The basic workweek for every full-time trade, custodial or other employee in a similar category in the state classified service in each unit, with due allowance for authorized holidays and leaves of absence with pay, shall be either forty (40) hours per week or thirty-seven and one half (37 1/2) hours per week.

All employees at the Department work a 37.5 hour work week, with the exception of four computer support specialists and database network administrators as described below:

- Two are telecommunications employees that maintained a 40 hour work week after the positions were moved from the Department of Safety to the Department Information Technology.

- Two are employees of the User Services Division, Enterprise Desktop Services group.

The compensation of the above four employees on a 40 hour per week basis is not in compliance with the State's CBA, section 6.1.1. Computer support specialists and database network administrators do not appear to meet the definition of "full-time trade, custodial, or other" specified in section 6.1.1 for a 40 hour work week. Additionally, all other computer support specialists and database administrators employed by the Department operate under a 37.5 hour work week. Further review of the job class specifications posted by the Department of Administrative Services indicated that computer support specialists and database network administrators operate under a 37.5 hour per week wage schedule.

Recommendation:

We recommend the Department:

- **Seek to amend RSA 94:1-a to clarify the unclassified position titles and ensure division directors are being compensated at the correct salary pay grade.**
- **Consult with the Department of Administrative Services, Division of Personnel (DAS-DoP), to determine if a statutory revision to include the Department's tenth unclassified position is necessary. If statutory revision is not deemed necessary or appropriate, the Department should seek clarification from the Attorney General's Office to determine whether it is authorized to continue compensating an employee using the unclassified salary pay scale for positions other than those specified in statute.**
- **Seek clarification from DAS-DoP, or obtain an opinion from the Attorney General's Office, on whether Department employees are correctly classified. If it is determined employees are not properly classified, seek to comply with the provisions of the State's CBA.**

Auditee Response:

We concur. DoIT submitted language in House Bill 2 for the FY 26/27 biennium to clarify the unclassified position titles and ensure division directors are being compensated at the correct salary pay grade. DoIT will consult with DAS-DoP to determine if a statutory revision to include the Department's tenth unclassified position is necessary. DoIT will also seek clarification from DAS-DoP, or obtain an opinion from the Attorney General's Office, on whether Department employees are correctly classified. Date of completion: June 2025.

Observation No. 13

Annual Personnel Evaluations Should Be Completed As Required

The Department did not consistently complete annual employee performance evaluations in accordance with State statute and administrative rule.

Department of Administrative Services, Division of Personnel administrative rule Per 801.06 (a) requires each appointing authority to conduct at least one evaluation per year for each full-time classified employee pursuant to RSA 21-I:42, XIII. Annual performance evaluations are generally completed prior to an employee's anniversary date for management's consideration in any pay increase (increment) decisions.

The Department does not complete annual performance evaluations for employees that have reached the maximum step of their salary pay grade (band) or when they are not due an increment. Review of employee records for the period April 1, 2023 through March 31, 2024 revealed that 27 of 45 employees, or 60% of the employees selected for review, did not receive timely performance evaluations. Specifically, the following was noted:

- Six employees, or 13%, had never received a performance evaluation from the Department, despite having been employed by the Department for more than one year. One such employee had been employed by the Department since November 2019.
- For five employees, or 11%, the Department reported evaluations had not been completed because the employee reached the maximum step of their salary pay grade and was not due an increment.
- For 13 employees, or 29%, the Department reported the employees did not have an increment due during the year, thus no evaluation was performed.
- An additional two employees, or 4%, had performance evaluations performed in May 2024, outside of our period of review. For the noted employees, the previously documented employee performance evaluations occurred during calendar years 2018 and 2022, and thus were not in compliance with the annual performance evaluation requirement set by administrative rule.
- The Department reported one employee, or 2%, had received an evaluation during the period selected for review, however the performance of the evaluation was not documented in NH FIRST, and the Department was unable to provide evidence that the evaluation had indeed occurred.

Auditors note that annual performance evaluations are required for full-time classified employees, regardless of whether an increment is due.

Recommendation:

We recommend the Department:

- **Comply with RSA 21-I:42, XIII and administrative rule Per 801.06 (a) and perform annual performance evaluations timely for all full-time classified employees.**
- **Determine whether the current process used to identify employees due for performance evaluations is sufficient in design and operation to identify all employees due for an evaluation. If the process is not deemed adequate, the Department should implement policies and procedures to ensure compliance with RSA 21-I:42 and administrative rule Per 801.06.**

Auditee Response:

We concur. DoIT Human Resources will run reports on a monthly basis and strengthen our internal policies to comply with RSA 21-I:42 and administrative rule Per 801.06 (a). Date of completion: March 2025.

Observation No. 14

Biennial Reports Should Be Filed As Required

The Department has not filed statutorily required reports.

RSA 20:7, I, specifies the following:

All agencies and departments of the state shall issue biennial reports summarizing their operations. All reports shall cover periods ending on June 30, and be posted to the state transparency website, with one paper copy submitted to the state library by October 1. Biennial reports shall cover periods ending in odd-numbered years beginning with 2015. State agencies and departments shall make every effort to limit or eliminate the production of paper reports. The governor and council, speaker of the house of representatives, and the senate president shall be notified by letter that a report is available on the state transparency website. Any agency or department required to issue more frequent reports is relieved of the reporting requirement of this paragraph.

The Department has not filed a biennial report and reported it was unaware of the requirement in statute.

A similar comment relative to the filing of biennial reports was noted in our 2006 financial and compliance audit report.

Recommendation:

We recommend the Department establish policies and procedures to ensure biennial reports are filed as required by statute.

Auditee Response:

We concur. DoIT will establish policies and procedures to ensure biennial reports are filed on a timely basis as required by statute. Date of completion: February 2025.

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status, as of January 2025, of the observations contained in the financial and compliance audit report of the Office of Information Technology for the nine months ended March 31, 2006 and the performance audit report of the Department of Information Technology dated March 2018 that are applicable to the scope of this Internal Control Review. These reports can be accessed at, and printed from, the Office of Legislative Budget Assistant's website at:

[www.gencourt.state.nh.us/lba/auditreports/financial reports.aspx](http://www.gencourt.state.nh.us/lba/auditreports/financial%20reports.aspx).

2006 Financial And Compliance Audit Internal Control Comments

<u>Reportable Conditions</u>		<u>Status</u>	
2006-1	Billing And Revenue Collection Process Should Be Improved <i>Establish policies and procedures for the timely processing of revenue. Policies and procedures should include establishing controls to ensure that invoices are issued timely, collections on the invoices are monitored for timely receipt, and collected revenues are posted timely to the correct revenue accounts. Established policies and procedures should include payment instructions to user agencies, including policies and procedures for the resolution of disputed invoices. Also continue efforts to improve the billing and collection process. Consideration should be given to account management as well as the timeliness and collectability of the invoices. (See current Observation No. 1)</i>	●	○
2006-2	Cost Allocation Process Should Be Improved <i>Consider whether the current process for allocating exact costs is efficient and effective as well as equitable to agencies and programs involved. Consideration should be given to the level of accuracy of the allocation calculations, as well as the equity of the results of those calculations. While fairness to user agencies is important, undue complexity increases the opportunity for errors as well as other inefficiencies and, as noted in the examples, may unintentionally cause inequity in the billing of service costs and other unintended effects. (See current Observation No. 1)</i>	●	○

		<u>Status</u>
2006-3	<p>Service Contract Processes And Controls Should Be Improved And Formalized</p> <p><i>Establish policies and procedures to improve controls over IT service contracts. The degree of responsibility for all IT contracts should be clearly defined. Periodic reviews of contracted IT services should occur in a time frame that allows for the consideration, development, and acceptance of feasible alternatives. Review the security of e-mailed contract documents to determine whether the risk associated with the convenience of e-mail is acceptable.</i></p>	● ●
2006-4	<p>Memorandums Of Agreement Should Support Work Performed For User Agencies</p> <p><i>Establish policies and procedures requiring formal memorandums of agreement with all user agencies to evidence Office of Information Technology (OIT) and user agency concurrence on services and support to be provided and the costs to be incurred. While memorandums of agreement with partner agencies may cover ongoing services, memorandums covering limited services with non-partner agencies may need to be more specific to those limited services to be provided. (See current Observation No. 10)</i></p>	○ ○
2006-5	<p>Agency Specific Charges Should Be Approved</p> <p><i>Implement policies and procedures requiring user agency authorization prior to the OIT's purchase of agency specific equipment and supplies, and agency acceptance of the purchased items, prior to the purchases being charged to user agency accounts. The practice of allowing OIT employees to provide user agency approvals should be discontinued to ensure that user agencies participate in the IT decision affecting their operations and to ensure that OIT employees do not have incompatible purchasing responsibilities that could increase the risk of improper purchasing activity.</i></p>	● ●
2006-6	<p>Administrative Policies And Procedures Manual For The ETA System Should Be Developed</p> <p><i>OIT should not allow critical agency operations to be dependent upon the continued performance of key employees. Policies and procedures manuals should be established to support significant agency operations. Manuals should be sufficiently detailed to allow for the continuation of agency operations with the minimum of disruption, regardless of the availability of the current performer of the responsibilities. To remain effective, policies and procedures manuals require periodic review and update, and employees using the manuals require periodic training in their use.</i></p>	● ●

		<u>Status</u>
2006-7	<p>Controls Over Payroll Should Be Improved <i>Improve controls over employee payroll. Employee personnel files should be reviewed to ensure that all required documentation is included. OIT should establish policies and procedures addressing the timely review and approval of employee timesheets. Leave time should be posted to GHRS in a timely manner.</i></p>	● ●
2006-8	<p>Controls Over Employee Leave Accounting Should Be Improved <i>Improve controls over employee leave accounting. Policies and procedures should be established to implement a periodic reconciliation of the ETA and GHRS information. An employee independent of the OIT leave-posting responsibilities should perform the reconciliation.</i></p>	● ●
2006-9	<p>Continuity Of Operations Plan Should Be Implemented <i>Implement and maintain a formal continuity of operations plan for all critical IT systems. In developing a suitable plan, OIT should perform appropriate risk and cost-and-benefits analyses. The plan and analysis of the plan should consider the risk of system failure and the cost of implementing certain aspects of the plan against the benefits of minimizing the effects of those failures. Once established, it is important to keep the plan current and relevant by performing regular tests of key provisions of the plan including determining the effects on agency operations of a disaster or systems failure, the expected recovery times from such situations, and the testing of any other computer systems to be used as backup. The testing program should include employee training in the operation of the plan and a critique of the plan's effectiveness. It should address any need for revisions including any systems and technology changes. All employees should be trained in their roles and responsibilities relative to the plan. (See current Observation No. 7)</i></p>	● ○
2006-10	<p>Formal Risk Assessment Policies And Procedures Should Be Established <i>Establish risk assessment policies and procedures that formalize OIT's risk assessment process and provide for a regular and continuous risk assessment of its operations. (See current Observation No. 7)</i></p>	○ ○

		<u>Status</u>
2006-11	<p>Formal Fraud Risk Mitigation Efforts Should Be Developed And Implemented</p> <p><i>Establish formal fraud risk mitigation policies to help limit OIT's exposure to fraud and to promote timely detection. Establish a formal fraud assessment, prevention, deterrence, and detection policy to help limit OIT's exposure to fraud and promote early detection of fraud that might occur. Take measures to foster a high degree of control consciousness among its employees and ensure that its employees understand that adhering to controls is a primary concern of management. Establish a fraud reporting policy and provide employees with fraud awareness training. Take measures to ensure that the policy facilitates and encourages reporting and protects all parties involved. (See current Observation No. 10)</i></p>	○ ○
2006-12	<p>Incompatible Duties Should Be Properly Segregated</p> <p><i>Review the assignment of employee responsibility over the A&E and OASys to ensure that assigned as well as unintended employee duties and responsibilities are properly segregated and provide the intended controls over OIT's critical systems. (See current Observation No. 4, 5, and 10)</i></p>	○ ○
2006-13	<p>Robust Password Controls Should Be Implemented</p> <p><i>Implement appropriate password controls to ensure the security and integrity of systems and data, and the systems and data to which they are connected. Effective use of password change controls should mandate that users create passwords with complex characters and change passwords regularly. As a leader in State information technology services, OIT should require its employees to adhere to the State's policies on the effective use of password controls. In addition, management should ensure that a periodic review of application access rights is conducted and the access permissions for terminated employees are deleted timely.</i></p>	● ●
2006-14	<p>Computer System Access Controls Should Be Reviewed</p> <p><i>Review the employee access levels in the A&E system. As a part of that review, OIT should consider whether the number of people with access levels higher than those required to perform their duties accurately reflects management's intent and is in the best interest of OIT and of the State. If it is determined that this level of permissions is required or that it would be too costly to re-configure A&E, mitigating controls should be placed in operation. The review of employee access levels should be a regular, periodic process to ensure that access privileges remain consistent with changes in employee job responsibilities and with management's intentions. (See current Observation No. 4 and 10)</i></p>	○ ○

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| 2006-15 | <p>Comprehensive Policies And Procedures Should Be Prepared For All Significant Operational Areas</p> <p><i>Establish policies and procedures for all significant operational areas and functions. The policies and procedures must be documented and include guidance on making decisions according to management's goals and objectives as well as internal control procedures established by management that employees are expected to follow. While it is recognized that this is a time-consuming task, policies and procedures manuals could increase efficiency as employees become more accustomed to performing their duties in accordance with management's plans and goals and objectives. (See current Observation No. 1, 3, 5, 6, and 7)</i></p> | <p>● ○</p> |

Compliance Comments

State Compliance

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|---------|--|------------|
| 2006-18 | <p>Statutorily Required Reports Should Be Prepared And Submitted</p> <p><i>Prepare and submit statutorily required reports. If OIT considers statutorily required reports to be no longer necessary, OIT should request a change in statute or relief from the reporting requirement from the responsible body as appropriate. (See current Observation No. 14)</i></p> | <p>○ ○</p> |
| 2006-19 | <p>Administrative Rules Should Be Adopted</p> <p><i>Adopt the required administrative rule as soon as practical. (See current Observation No. 11)</i></p> | <p>○ ○</p> |

Management Issues Comments

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|---------|---|------------|
| 2006-21 | <p>All Executive Branch Agencies Should Be Provided Service</p> <p><i>Review current operating procedures related to providing services to non-partner agencies to determine whether the current procedures of providing services based on the ability to pay most effectively serves the State and its agencies. OIT may want to seek legislative clarification as to whether its practice of making service availability decisions based on budgetary restrictions rather than on an agency's need for service is as intended by policymakers. As provided by statute, OIT should provide technical IT consultation to all executive branch agencies that require it in order to provide efficient and effective services on behalf of the State. Consideration should be given to the creation of a reserve within OIT for unanticipated IT costs, which could be used to provide services to non-partner agencies as well as fund unanticipated needs of the partner agencies.</i></p> | <p>● ●</p> |
|---------|---|------------|

		<u>Status</u>
2006-22	<p>All IT Activity Should Be Considered For Transfer To OIT <i>OIT should further clarify the scope of its responsibility for State IT functions. Work with DAS to determine whether these, and potentially other, State IT responsibilities and sources of IT funding and activity would be more appropriately controlled and accounted for by OIT. If so, OIT should seek the appropriate approvals to effect a transfer of those activities. If consensus cannot be arrived at, OIT should seek legislative guidance on the scope of its responsibilities.</i></p>	● ●
2006-23	<p>Ownership Of Equipment In Use By OIT Should Be Reconsidered <i>Review and consider the special control implications of having physical control and inventory responsibility for equipment that it does not own. This review should include discussions with the agencies that own the equipment to ensure that all relevant aspects, including federal or other funding organization requirements, are considered. If appropriate, OIT should recommend the equipment be transferred to OIT to promote efficient and effective State information technology operations, including allowing for a more efficient control structure over that equipment.</i></p>	● ●

2018 Performance Audit

2018-2	<p>Establish Formal Service Level Agreements with State Agencies <i>In collaboration with State agency management, DoIT management should create formal SLAs which specify baseline services and expectations. These agreements should cover all major DoIT service areas provided to customers. Using these agreements, DoIT management should ensure staff are accountable for achieving customer service benchmarks. DoIT management should establish metrics and collect data to evaluate performance vis-à-vis these SLAs and should share results of these evaluations with the customer agency on a regular basis for accountability purposes. (See current Observation No. 10)</i></p>	● ○
2018-3	<p>Consolidate And Standardize Use Of Internal Systems <i>DoIT management should evaluate business needs, identify systems that can best fulfill those needs, and then mandate the use of those systems. Management should create policies and procedures for staff to ensure standardized use of systems to produce reliable reporting. Management should decommission remaining systems performing duplicate functions. (See current Observation No. 10)</i></p>	● ○

		<u>Status</u>	
2018-7	<p>Evaluate Human Resource Allocations</p> <p><i>DoIT management should improve its human resource distribution by evaluating its use of direct- and shared-funded employees and make changes to improve efficiency, curtailing technical support work done by non-technical support staff through training and policies, and evaluating current workload for IT Leads and more efficiently distribute responsibilities. DoIT management should communicate its statutory authority to manage all DoIT staff to customer agencies and collaborate with these agencies to more efficiently allocate human resources statewide.</i></p>	●	●
2018-13	<p>Simplify Cost Allocation Methodologies</p> <p><i>DoIT management should simplify its cost allocation methodologies where practical by balancing the goal of being precise against the need to be transparent and efficient in making equitable cost allocations. (See current Observation No. 1 and 10)</i></p>	○	○
2018-14	<p>Improve Billing Process</p> <p><i>DoIT management should review its cost allocation and billing systems to simplify each. DoIT management should improve the effectiveness of the billing process by ensuring all manual assignments of accounting job numbers to allocation methodologies receive a secondary review, implementing a periodic internal review to assess the accuracy of invoices, and developing policies and procedures to assist and educate agencies on how to review and understand DoIT invoices. DoIT management should also improve the efficiency of the billing process by reviewing the data collection frequency schedule and assess whether cost allocation metrics could be collected less frequently without significantly impacting the accuracy, assessing the necessity to solicit a PC count verification for 25 different State agencies, and consolidating the data integrity and formatting queries used during the billing process. (See current Observation No. 1 and 10)</i></p>	○	○
2018-15	<p>Ensure Criteria Used To Select Agencies Eligible For Discounted Services Is Kept Current</p> <p><i>DoIT management, as it works with the Commissioner of DAS, should redesign its funding structure, eliminating class 27 appropriations, and ensure customer agency funding methods are formalized and kept current. If the new funding structure involves charging customer agencies for services or providing discounted services, we recommend DoIT develop and maintain criteria on its methodology used to charge or credit services.</i></p>	●	●

		<u>Status</u>
2018-17	<p>Evaluate Financial Systems And Analyze Business Processes <i>DoIT management should strategically analyze its use of potentially duplicate financial software applications and inefficient business processes. Any future efforts to revise internal software applications should include an assessment of business processes and requirements. (See current Observation No. 1)</i></p>	● ○
2018-18	<p>Improve Procurement And Requisition Policies And Processes <i>DoIT management should improve the procurement process by ensuring all reviews and approvals required by policy are accomplished, revising policy to develop a more risk-based approach for reviewing IT procurements, communicating to customer agencies which recommendations must be addressed for approval and which recommendations are suggestions, and developing a systematic approach to ensure IT procurement policy and review timeframes are achieved. DoIT management should also improve the requisition process by clarifying policy on how designees of IT Leads will be utilized in the requisition process and ensuring technical review practices are consistent with policy; and identifying items on the approved standards list which do not need to go through the technical review process, and exempting them from additional DoIT approval.</i></p>	● ●
2018-21	<p>Continuity Plan Should Be Updated <i>DoIT management should establish a current COOP for its own operations and develop a process for ensuring the plan is updated on a continuing basis. (See current Observation No. 7)</i></p>	● ○
2018-22	<p>Adopt Administrative Rules And Unify Policies And Procedures <i>DoIT management should adopt IT policies and procedures that are to be followed by other agencies in administrative rules, as required by the Administrative Procedures Act, or seek specific legislation exempting it. The Legislature may wish to further clarify the status of DoIT's authority to adopt rules by specifically granting rulemaking authority or exempting DoIT from the requirements of the Administrative Procedures Act. If it is determined that rules are not required, the policies should at least be standardized and centralized for easy referencing by affected agencies. (See current Observation No. 10 and 11)</i></p>	○ ○

2018-24 **Address Prior Audit Findings**

DoIT management should create a corrective action plan to resolve all prior and current audit findings in a timely manner. (See current Observation No. 10)

Status

● ○

Status Key

Resolved

Remediation In Process (Action beyond meeting and discussion)

Unresolved

Status

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