






KING COUNTY AUDITOR'S OFFICE

AUGUST 3, 2020

Follow-up on King County Information Technology Rates

The King County Department of Information Technology made improvements, but more work is necessary to achieve the rate transparency necessary for alternatives analysis and oversight. This is critically important as the County enters a constrained budget climate where agencies must cut costs, or face staff furloughs or layoffs. The King County Department of Information Technology (KCIT) improved the clarity of its billing, enabling customers to make more informed and efficient choices about their information technology (IT) spending. KCIT increased rate accuracy by counting workstations and users more frequently and verifying these numbers with agency finance managers. KCIT also took steps to unravel parts of its highly complex rate model and clarify cost drivers and assumptions. While the agency made progress on understanding the foundations of its rates and communicating rate methodologies to budget analysts in the Office of Performance, Strategy and Budget (PSB), it was not able to provide enough detail for PSB to adequately examine KCIT's rate proposals and conduct its oversight role. As a result, PSB had to approve KCIT's proforma rates for the 2021-2022 budget without fully understanding their basis or the potential impact on agencies in order to avoid significant budget disruption.

Of the eight audit recommendations:

 4 DONE	 4 PROGRESS	 0 OPEN
Fully implemented Auditor will no longer monitor.	Partially implemented Auditor will continue to monitor.	Remain unresolved Auditor will continue to monitor.

Please see below for details on the implementation status of these recommendations.

Recommendation 1

DONE



King County’s Department of Information Technology should align cost groupings on service request forms, its rate catalog, and central rate accounts, or provide crosswalk information to customers.

STATUS UPDATE: Following our February 2019 performance audit, KCIT managers presented an explanation of IT rates to its customers, including how it charges agencies for IT products and services.¹ KCIT subsequently developed a crosswalk document that defines each type of rate, its billing method (actual or fixed based on budget), cost allocation method (such as by full-time equivalent (FTE) or by unit rate), and which KCIT central rate account it comes from. KCIT provided this document to all agency finance managers in March 2020. In addition, KCIT developed a detailed monthly invoice showing how costs are grouped on its service request form.

IMPACT: Communicating and documenting how KCIT’s rates work and which accounts it charges for IT services enabled customers to better track their IT spending.

Recommendation 2

DONE



King County’s Department of Information Technology should develop and distribute materials to ensure that finance managers have adequate information to understand the relationship between their information technology (IT) product and service order and their agency’s IT charges.

STATUS UPDATE: KCIT’s new monthly invoice format includes details of budgeted spending and actuals so that finance managers can see the relationship between the IT services they use and the costs they pay. The invoice spreadsheet has a rate definition tab that provides key rate information for easy reference. In addition, KCIT’s Customer Success Managers are doing more to walk customers through their billing, such as reviewing invoices with them periodically.

IMPACT: The increased transparency of the invoice has enhanced communication between finance managers and Customer Success Managers, resulting in greater clarity and accuracy of charges and accounts.

Recommendation 3

PROGRESS



King County’s Department of Information Technology should update its rate model to reduce complexity and improve consistency, accuracy, and oversight. At a minimum, this effort should include the following elements:

- a) **reduce the number of calculations and spreadsheets supporting the model**
- b) **provide templates to rate model contributors for how to structure the calculations.**

¹ For the purposes of this audit, we consider KCIT’s customers to be agency finance managers.

STATUS UPDATE: KCIT has taken steps to update parts of its rate model to improve consistency, accuracy, and oversight. First, it developed a new template for the 2021-2022 budget for KCIT lines of business to use in developing their rate models. Second, KCIT and PSB collaborated on a zero-based project to understand the cost drivers of three key lines of business within KCIT.² Both of these actions helped KCIT standardize information, calculations and assumptions, and reduce the likelihood of errors in the rates.

While these efforts made progress in reducing complexity and increasing methodological consistency, KCIT was not able to provide clear and detailed information to PSB budget analysts to allow for effective oversight. PSB could not validate the reasons for KCIT rate increases in the 2021-2022 proforma budget, or evaluate their impact on agencies because of continued lack of clarity in the rate model.

WHAT REMAINS: KCIT needs to further simplify its rate model by reducing the number of calculations and spreadsheets supporting the model. Considering the fact that one of the recommendation's goals is to improve oversight, this recommendation cannot be completed until KCIT is able to provide PSB the information budget analysts need to carry out their oversight function.

Recommendation 4

PROGRESS



King County's Department of Information Technology update of the rate model should include an assumptions page to improve visibility to policy-makers and facilitate alternatives analysis.

STATUS UPDATE: KCIT's new rate-development templates articulate some standard assumptions that were not clearly laid out before. Its zero-based budgeting project daylighted cost drivers for the three lines of business included in the project (these three comprise about 30 percent of KCIT's budget). KCIT's actions constitute progress, but it has not yet comprehensively improved visibility or facilitated alternatives analysis because it has not developed a way to consolidate and analyze the impact of assumptions on an enterprise-wide basis. Doing this would allow deeper understanding of the units and per-unit-costs for each rate and their distribution across the enterprise. Further, KCIT was not able to communicate its rate model clearly enough to allow PSB to make fully informed decisions on KCIT's proforma rate proposal for the 2021-2022 budget.³

WHAT REMAINS: As KCIT further simplifies its rate model per recommendation 3, it should organize the model inputs (assumptions and cost drivers for both lines of business and enterprise-wide) in such a way that it can clearly communicate to analysts and policy-makers what the impacts would be on rates if model inputs changed.

² The three areas of focus are customers support service, networks, and applications operations and maintenance, which comprise about 30 percent of KCIT's budget.

³ Specifically, KCIT was not able to provide the breakdown of rate changes by cost driver to allow PSB to build dynamic scenarios to examine alternatives before setting the proforma rates.

Recommendation 5

PROGRESS



King County’s Department of Information Technology and the Office of Performance, Strategy and Budget should work together to ensure the updated rate model has clear assumptions and is reviewed prior to approval.

STATUS UPDATE: As stated under recommendation 4, KCIT made progress in clarifying its rate methodologies and articulating some of the assumptions underpinning the rate model. It provided high-level information to PSB, but did not provide enough detail for PSB to review the model before it was due. PSB analysts stated that they asked for more detail and waited for KCIT to provide it, but the information did not arrive. Time ran out to review KCIT’s proposed proforma rates, so PSB had to approve them without validating the assumptions or thoroughly vetting the proposed increases in order to avoid significant disruptions to the budget process. PSB analysts commented that they hear general frustrations from finance managers that KCIT’s rates are high and increasing, and PSB does not have the insight into the rate model to explain why this is happening.

WHAT REMAINS: To complete this recommendation, KCIT needs to work with PSB to identify areas that remain unclear in the updated rate model and take any necessary steps to daylight assumptions in time for PSB to conduct adequate review prior to the 2023-2024 proforma budget.

Recommendation 6

PROGRESS



King County’s Department of Information Technology should develop, document, and implement a plan to increase the accuracy of its process to count workstations.

STATUS UPDATE: KCIT has made progress and continues to work on improving asset management. As of October 2019, KCIT completed a physical workstation count for all agencies and held count verification meetings with agency representatives. Instead of counting workstations only a few times during a year, KCIT instituted a daily true-up process to keep an up-to-date count of workstations. KCIT is working on consolidating various sources of asset counts and other data into a single source that ties into asset ordering and management. In addition, when the County’s updated asset management policy is finalized, KCIT will align its procedures to those requirements.

WHAT REMAINS: KCIT should document and continue implementing its process to increase workstation count accuracy as part of its improved asset management system.

Recommendation 7

DONE



King County’s Department of Information Technology should develop, document, and implement a process to ensure rates reflect its actual costs by either:

- a) recalculating rates to reflect actual unit counts at the end of the budget process, or
- b) adjusting its true-up calculation to address how changing unit counts resulted in a rate that is too high or too low.

STATUS UPDATE: As of fall 2019, KCIT began charging agencies actual costs on workstation leases. KCIT reviewed updated 2019 workstation inventories with agency finance managers and settled on correct counts as a baseline for charging monthly actual costs, which are displayed on the monthly agency IT invoice KCIT posts. In 2021-2022, KCIT will provide agencies true-up adjustments for selected lines of business based on changing unit counts or actual service performed. KCIT will also begin charging enterprise Office 365 licenses quarterly on actual counts that the agencies are using as of the 2021-2022 biennium budget. In the previous biennium, the enterprise license was included as part of the workstation rate.

IMPACT: Charging based on actual unit counts contributes to rates that are representative of actual costs. Agencies will still see true-ups in the 2021-2022 budget that were based on the 2017-2018 budget, but after that, this change should reduce true-ups caused by inaccurate unit counts.

Recommendation 8

DONE



King County’s Department of Information Technology should adjust unit counts periodically throughout the year and adjust customer charges to reflect updated counts.

STATUS UPDATE: Despite the fact that KCIT did not concur with this recommendation, the actions it took under recommendations 6 and 7 fulfil the spirit of this recommendation for two major cost drivers that are in agencies’ control: workstations and Office 365 licenses.

IMPACT: Particularly since many county agencies may consider reducing IT costs as part of COVID-19 pandemic budget compressions, KCIT’s shift to charging based on more frequent actual unit counts may reduce the magnitude of true-ups, at least for workstations and Office 365 licenses.

Laina Poon conducted this review. If you have any questions or would like more information, please contact the King County Auditor’s Office at KCAO@KingCounty.gov or 206-477-1033.