



***Kansas Legislative Division of Post Audit:
Performance Audit: Office of Information
Technology Services: Reviewing the Office's
Service Rates and Viable Alternatives for Its
Services***

**Presentation to the Mid-America Intergovernmental Audit
Forum**

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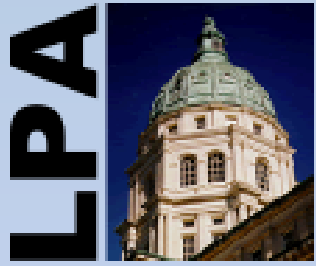
Background

Our Audit Question

- *Do OITS' service rates reflect actual costs and are they competitive with comparable services provided in the private sector?*

Some Context...

- The Office of Information Technology Services (OITS) is a \$35 million state agency that provides IT services exclusively to other state agencies. Those services include network access, mainframe systems, and telecommunications.
- OITS is a state government monopoly.
- OITS sets its own rates with almost no oversight or accountability.



Background

More Context...

- The federal government does not allow OITS to make a profit: its rates are supposed to equal its costs. That's because the feds don't want to provide more funding than required for IT services provided by each state.
- The feds also require that rates for each service offered by OITS reflect costs for only that service. That's because the feds don't want to pay for state services their agencies don't use.
- Legislators had expressed concern that OITS' rates for information technology and telecommunication services were excessively high because it lacked any private sector competition.



Findings

- **Finding #1:** The rates agencies paid for some OITS services were inflated, because they included costs for other underfunded, discounted or waived services.



Findings

- **Finding #2:** The way OITS had reported profits for individual services to the federal government appeared to violate several federal reporting requirements.



Findings

- **Finding #3:** Although OITS had developed a complex rate model to help ensure rates reflected actual costs, it did not use the model to set most rates.



Findings

Finding 4: We Were Unable to Compare the Rates OITS Charged for its Largest Services to Rates in the Private Sector



Results

The results...

- Legislation was passed in the 2015 legislative session to provide legislative oversight of OITS rates.
- In November 2014, the Department of Administration was ordered to pay the federal government \$2.5 million for unallowable costs plus interest.



Q & A

Questions?