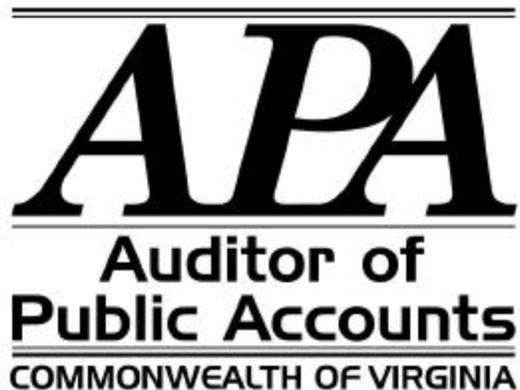


**DEPARTMENT OF INFORMATION TECHNOLOGY  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE PERIOD  
JULY 1, 1999 THROUGH JUNE 30, 2001**



## **AUDIT SUMMARY**

Our audit of the Department of Information Technology for the period July 1, 1999 through June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in the Department's accounting records;
- no material weaknesses in internal control; and
- no instances of noncompliance that are required to be reported.

January 14, 2002

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Information Technology** for the period July 1, 1999 through June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting system, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

- Revenues
- Expenditures
- Fixed Assets
- Accounts Payable
- Accounts Receivable

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and the Department's accounting system. The financial information presented in this report came directly from the Department's accounting system.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JBS:aom  
aom:23

## Agency Information

### Introduction

In addition to the information presented in this report, the balance sheet, statement of revenue and expenditures and changes in fund balance, and the statement of cash flows are part of the Commonwealth's Annual Comprehensive Annual Financial Report for both fiscal 2000 and 2001. The State Comptroller annually issues this report.

### Organization

The Department of Information Technology (DIT) provides a variety of information technology services to other agencies and institutions with the Commonwealth. DIT consists of a Finance and Administration Directorate and a Services Directorate. During the audit period, DIT reorganized its operations as a result of its strategic planning efforts to better meet the needs of its customers and to address emerging technologies. Most of the changes occurred in the Services Directorate. The reorganization included the following changes.

#### *Services Directorate*

- DIT formed the Enterprise Solutions Division by combining the Systems Development and Technology Consulting Divisions. The Division performs PC and network services to support local and wide area networks by assisting with the planning, implementation, and support of network and client/server environments. They provide services for custom software and database development, and assistance in developing information technology and telecommunication related procurement requests. This division also provides services to develop, maintain, and enhance custom applications, and provide e-commerce solutions by custom tailoring web sites to meet customer objectives.
- DIT created the Integrated Telecommunications Division by combining the former Telemedia and Telecommunications divisions and adding TV/Video Production staff from the Training and Career Development Branch. The Division manages and coordinates the Commonwealth's local and long distance voice services, data communications, wireless services, broadband, and network equipment.
- DIT revamped the Security Division, removing the Unisys/Unix Database Division, so that it now provides products, services, and consults on network security for customers, user identification, authentication, and protection of Commonwealth data. The Division controls the physical systems and security of DIT's Data Center, provides training and assistance to customer agency security officers, and manages security services available to agencies. In addition, the Division provides assistance to the Council on Technology Services in the establishment of statewide security plans, programs, and policies.
- DIT combined the Automated Systems, MVS Support, Unisys Support, Unisys/Unix Database, and MVS Database Divisions to create the Systems Software Division. This Division provides database, operating, and system software support services for DIT operated computing platforms including Unisys EXEC, IBM MVS, UNIX, and Windows NT. In addition, the Division supports automated operations, storage management, and enterprise management for multiple operating systems.

- DIT created the Network Internet/Intranet Division, drawing from the MVS and Unisys software sections and the Data Center's Network Control Center, to provide TCP/IP network connectivity and network support services.
- Finally, DIT merged an expanded Help Desk with the Communications and Publications Branch and the Service Coordination Branch to create the Partnership Division, which provides customers with a point of contact to communicate their day-to-day assistance requirements and planned service delivery requirements. The Division has three branches: Customer Assistance Branch, Communications and Publications Branch, and Customer Service Branch.

The Computer Operations Division, which is part of the Services Directorate, did not undergo significant changes as a result of the reorganization. This Division operates the state computer center, which includes all the services of a major data center supporting an IBM and Unisys mainframe environment. In addition, the Computer Operations Division provides facility and data management support for customer agency Unix and NT servers.

#### *Finance and Administration Directorate*

The following changes occurred in the Finance and Administration Directorate.

- DIT replaced the Technology Resource Management Division with the Business and Technology Planning Division, which does resource, capacity, business, and new product planning.
- DIT moved the Acquisition Services Division from the Finance and Administration Directorate to the Services Directorate to provide statewide telecommunications and information technology procurement services. All other administrative operations procurement responsibilities remain under the Finance and Administration Directorate.

#### Financial Highlights

The following section provides a broad overview of DIT's financial highlights during the audit period broken down by types of services offered.

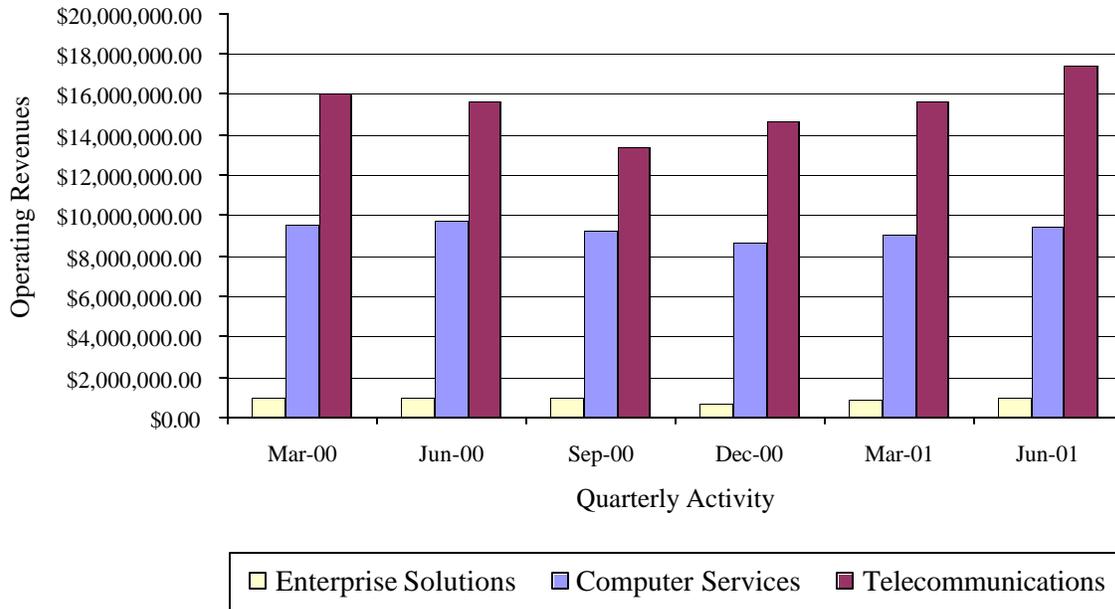
During fiscal year 2000 there was an increase in operating revenues and expenses for telecommunication services. This increase occurs from additional telecommunications services offerings by the Integrated Telecommunications Division and an increase in both telecommunication customers and usage. The number of telecommunication customers increased approximately 20 percent over the audit period from 713 to approximately 862 customers. The decline in revenues and expenses during fiscal year 2001 represent a decrease in rates resulting from savings from the new telecommunications contract with MCI Worldcom. The new contract reduced rates for long distance and frame relay telecommunication services by approximately 35 percent and 22 percent respectively with the corresponding reduction in contract payments for these services.

Revenues for the Computer Services Divisions have remained relatively constant along with the number of customers. However, there was an increase in operating expenses due to salary increases for information technology personnel and increased vendor charges for hardware and software maintenance. Computer Services expenses consist of personnel, contractual services, depreciation, and continuous charges such rent and insurance.

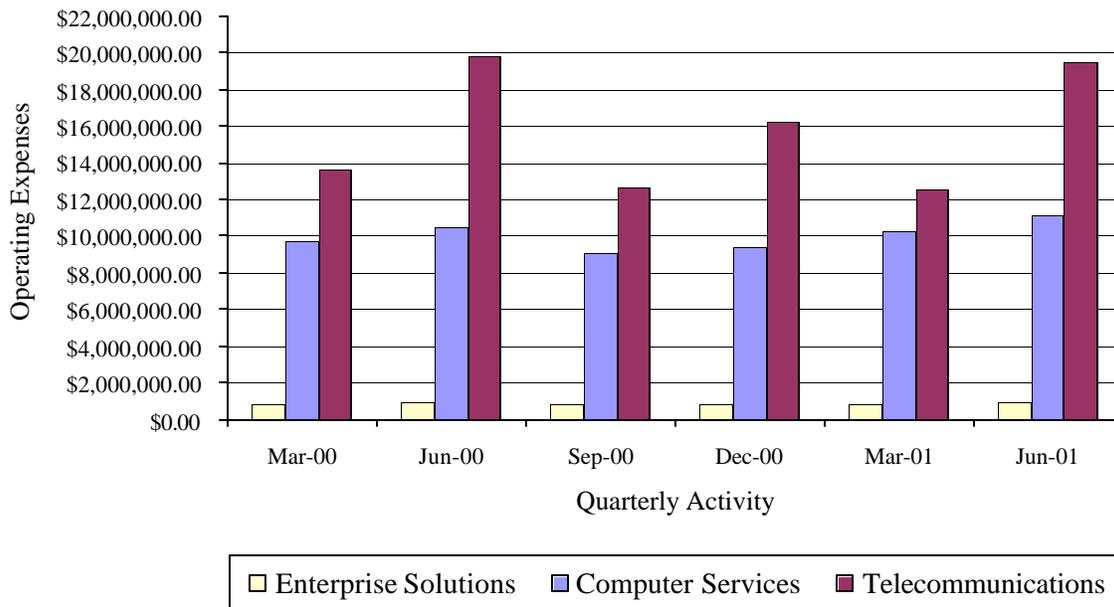
Revenues for the Enterprise Solution Division increased during the audit period due to an increase in rates and activity related to Year 2000 system modifications. In addition, the number of customers for system development and consulting services increased by approximately 17 percent up to 44 customers. Operating expenses, which consist mainly of personnel charges, have remained constant.

Quarterly operating revenue and expenses by type of service are included in the graphs below.

### Quarterly Operating Revenues by Division



### Quarterly Operating Expenses by Division



Department of Information Technology  
Richmond, Virginia

Scott Fairholm  
Director