Report
to
The LEGISLATIVE FINANCE COMMITTEE

Department of Information Technology
Review of IT and Telecommunication Services
August 13, 2010

Report # 10-07

LEGISLATIVE FINANCE COMMITTEE

Representative Luciano "Lucky" Varela, Chairman
Senator John Arthur Smith, Vice Chairman
Senator Sue Wilson Beffort
Representative Donald E. Bratton
Senator Pete Campos
Senator Carlos R. Cisneros
Senator Stuart Ingle
Representative Rhonda S. King
Senator Carroll H. Leavell
Representative Henry "Kiki" Saavedra
Representative Nick L. Salazar
Representative Edward C. Sandoval
Senator John M. Sapien
Representative Don L. Tripp
Representative Jeannette O. Wallace

DIRECTOR

David Abbey

DEPUTY DIRECTOR FOR PERFORMANCE AUDITS

Manu Patel, CPA

PERFORMANCE AUDIT REVIEW TEAM

Jacob Candelaria
David Craig
Lawrence Davis
Brenda Fresquez
Pamela Galbraith
Craig Johnson
Charles Sallee
Aurora B. Sánchez, CISA
Ron Segura
Michael Weinberg

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone: (505) 986-4550 • Fax: (505) 986-4545

David Abbey
Director

August 13, 2010

Marlin Mackey, Secretary
Department of Information Technology
715 Alta Vista Street
Santa Fe, New Mexico 87502

Secretary Mackey,

On behalf of the Legislative Finance Committee (committee), I am pleased to transmit the Department of Information Technology's (department) Review of Information Technology (IT) and Telecommunications Services. The purpose of the review was to examine the department's compliance with its statutory requirements, provision of IT and telecommunication services, including cost of the services and rates charged, and status of the first consolidation initiative.

The report will be presented to the committee on August 13, 2010 in Taos, New Mexico. Discussions were held with your staff throughout the review to address any concerns before the exit conference, which was held August 4, 2010. You may want to share the results of this review with state agencies since many of recommendations directly relate to them.

The committee expects a corrective action plan from the departments within 30-days from the date of the hearing. Staff will continuously monitor your progress.

I believe that this report addresses issues the committee asked us to review and hope the department will benefit from our efforts. Thank you for your cooperation and assistance.

Sincerely,

David Abbey
Director

Table of Contents

Page No.

DoIT provides SHARE, voice, video, data, and digital microwave radio services.

The Radio Bureau provides maintenance and support to 123 radio sites statewide while carrying a 19 percent vacancy rate.

Before launching into any new statewide initiative, DoIT cannot rely on the idea of "build it and they will come."

The Secretary of State allows an employee to transact state business using a TaosNet e-mail account while continuing to pay for a state account.

Background. The review of the Department of Information Technology (DoIT) was to determine compliance with its statutory requirements and identification of information technology (IT) and telecommunication services provided to state agencies, including cost of the services and rates charged, and to report the status of the first consolidation initiative and the department's activities support consolidation and cost saving initiatives.

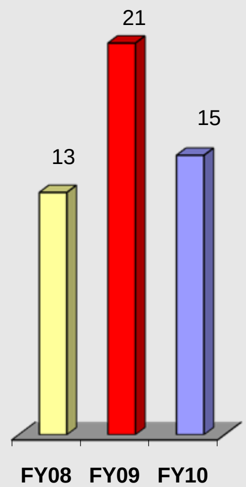
DoIT is the executive branch department responsible for streamlining and improving information technology systems as outlined in its 2007 enabling legislation. The department employs 201 full-time-equivalent (FTE) staff, of which approximately 113 provide direct IT and telecommunication services to state agencies. The department is currently undergoing a reorganization to better align its organizational structure to the law and to allow it to improve service delivery to its customers. DoIT has adopted the Information Technology Infrastructure Library (ITIL) the most widely adopted framework that stresses service quality and focuses on how IT services can be efficiently and cost-effectively provided and supported.

DoIT's core IT service positions have been frozen since March 2004. In FY10, DoIT's overall vacancy rate was about 17 percent. Additionally, 17 positions were eliminated from the FY11 budget. Although elimination of vacant positions may not adversely affect the provision of services, prolonged vacancies and the hiring freeze may impact consolidation efforts and eventually the effective delivery of services. The only option the department has for mitigating the negative impact of the hiring freeze on services is overtime and contractual services. In FY10, DoIT paid $203.6 thousand in overtime, $699.9 in on-call/standby, and contracted for $1.8 million in services. If DoIT had been adequately staffed and expertly trained, it would have been able to complete the projects with less overtime, on-call/standby and contractual services dollars

Consolidation. Since 2003 New Mexico has been working on IT consolidation: e-mail, security, telecommunications, accounting and human resource systems, data center and staff. DoIT continues to work on those and new initiatives.

E-mail. E-mail consolidation was completed in 2005 but savings were never captured. DoIT provides e-mail service to 60 executive branch agencies and one judicial branch agency. DoIT is planning to upgrade to Exchange 2010, which includes integrating existing Blackberry services and associated security, but not PDA or smart phones.

Security Incidents by Fiscal Year



Source: DoIT

Five hundred ninety-two unsupported smart phones are accessing the state's e-mail system and DoIT receives no revenue for the service it provides.

DOT did not seem to have considered the physical security of the data center when it built the Rail Runner station across from the Simms building.

Unsupported smart phones accessing the state's e-mail system cause DoIT to lose about $73 thousand per year and potentially provide an opening for a cyber attack.

Security. The enterprise security program had a slow start but has gained momentum as more agencies are affected by actual or attempted security breaches. DoIT, in coordination with agency chief information officers (CIO), has developed a policy and an administrative rule addressing security. The adopted security rule requires reporting of incidents to internal agency management but not to DoIT's security officer. DoIT has been tracking security incidents since FY08 with tools it uses and through its security partners.

DoIT has an internal physical access policy requiring employees to use a badge; however observation of employee practice shows that not all employees actually comply. A review of 383 active security badges to access various parts of the Simms Building on a need-to-do, need-to-know basis found that 95 General Services Department (GSD) employees, or 25 percent, of the total have badge access into various parts of the building even though the GSD secretary and human resource offices are on the first floor directly behind the security guard station. Creation of the new department in 2007 and the split from GSD has transformed the state's data center into a multi-tenant facility (DoIT and GSD), which is in contravention of best practices.

Telecommunications. Wire New Mexico, the consolidation of telecommunication networks, including digital microwave continues. The Rio Grande corridor network is complete and operational from Santa Fe to El Paso. Currently, DoIT is spearheading broadband telecommunication initiatives across state government and is partnering with universities, public schools, local governments, and private telecommunication companies. Broadband, narrow banding and mapping projects have either started or are planned using federal grants and leveraging in-kind contributions or special and capital appropriations for Wire New Mexico.

Although DoIT has supervisory control over all mobile or fixed radio equipment by state agencies and owns and operates the digital microwave infrastructure, local governments do not use it. Department of Finance and Administration (DFA) Local Government Division administers the e-911 fund for the purchase, lease, installation, or maintenance of equipment service at local governing bodies that operate a public safety answering point for receiving and dispatching emergency calls. The law limits use of the e-911 fund to reimbursing local governing bodies or their fiscal agents or paying commercial mobile radio service providers or telecommunication companies. The law does not seek to leverage existing state-owned infrastructure designed and

Some telecommunication providers will not serve an area unless there are at least 25 customers per mile, a major drawback to ensuring rural New Mexico customers are adequately served.

HSD and TRD have moved all production equipment into the upgraded and updated state data center.

In FY10, DoIT spent $13 million on telecommunication services.

The amount due from an unknown or unidentified user is over $400 thousand and the amount fluctuates monthly.

built for public safety purposes.

Accounting and Human Resource Systems. The statewide human resource accounting and management reporting (SHARE) system was implemented in July 2006. Even though SHARE had a rocky start, additional appropriations and agency contributions in excess of $20 million have greatly improved the system. There are five projects in various stages of completion that will improve overall SHARE functionality and eventually worker productivity. In FY11, DoIT is working with the Workforce Solutions Department on defining and configuring the grants and projects module.

Data Centers. Since the 2006, $6 million has been spent to upgrade the data center. DoIT is investigating virtualization and cloud computing as strategies that will allow for the closure of the remaining data centers, reducing costs and improving efficiency. Without equipment and software inventories from every agency that operates its own data center, it is difficult to quantify savings from less equipment, centralized administration and provisioning, and reduced power and cooling. Other cost-saving measures for the DoIT data center come from using industry-standard energy-efficient equipment, using outside cold air to remove heat from the data center or using warm air from the data center to heat other parts of the building; and converting alternating current electricity into direct current.

Staff. At the IT management level, the number of CIOs, whether created through statute or by agency direction has grown 16, including DoIT. Based on the June 2010 organizational listing, the compensation for the 16 agency CIOs is $1.5 million. Potential savings could be gained by reducing the number of agency CIOs and restructuring the positions under the state CIO with reporting to the various departments' cabinet secretary. If the number were reduced to five or six CIOs, the state could save between $940 thousand and $1 million.

Department Revenue and Expenditures. DoIT is an enterprise agency, which means it charges for services and must generate sufficient revenue to be self-supporting. Amounts collected cannot easily be matched to the year billed. Overall the amounts billed for the fiscal years 2008 and 2009 are on par with the amounts collected. In FY08 and FY09 DoIT consumed between $9 million and $11 million in IT and telecommunication services. Although the rates include DoIT usage, it is unclear if DoIT has any incentive to reduce overall usage that will reduce rates. The total billed for FY10 is $53.5 million compared to the revenue collected for the first 11 months of $44.5 million. In May and June 2010, DoIT had to reduce its FY10 operating budget by $2 million because it was not collecting revenue as anticipated. At the end of FY10, accounts receivable for IT,

Budget and Expenditures
(in millions)

	Budget	Expenditures
FY08	$51.5	$46.9
FY09	$53.4	$48.4
FY10	$63.6	$49.3

Source: SHARE

Timely reconciliations would have identified that the $370 thousand HSD payment had not been posted to the subsidiary ledger.

Agencies should look to the Cultural Affairs Department for best practices in reviewing and approving IT services purchased from DoIT.

In FY09, DoIT lost $1.2 million because it did not recover its costs.

telecommunication, and radio services totaled $9.6 million, of which $3.6 million was more than 120 days old. DoIT has problems collecting amounts due from state agencies so the Legislature gave the department the authority to request that DFA transfer outstanding balances older than 30 days for which there is no outstanding, unresolved disputes. The statute also requires DFA to be the final arbiter of billing disputes and to transfer unpaid and undisputed past due amounts to DoIT. However, DoIT has not yet exercised its authority and DFA has instead asked DoIT to work with the each agency's chief financial officer or financial lead to coordinate the effort for the notification process for the initiation of an operating transfer before they are processed in SHARE and approved by DFA Financial Control Division.

The two enterprise programs that are being merged in FY11 into a single enterprise services program make up over 80 percent of DoIT's entire budget. In FY10, total expenditures were $49.3 million. The highest single expenditure categories were contractual services and other followed by personal services and employee benefits. The contractual services and other categories combined account for 63 percent of total program expenditures with the single largest expenditure, over $13 million, used to purchase telecommunication services from providers. A review of the department's process for approving and paying over 900 telecommunication vendors' invoices is weak and could allow erroneous payments to be made causing the state to lose money.

The process to record and reconcile accounts receivables is weak and resulted in an FY08 and FY09 qualified audit opinion. A review of accounts over 120 past due found that agencies had paid and were current, invoices were in dispute, DoIT had not posted payments in the subsidiary ledger or the service user was unknown.

In general, agencies do not understand how services are charged and do not fully understand the content of DoIT invoices. Every agency reviewed had a different process for reviewing its DoIT invoices for accuracy. Agencies reviewed are not completely proactive in disabling accounts when staff leaves for any reason (retirement, resignation, or firing). The error rates in similarly sized agencies in the sample ranged from a low of less than 2 percent at the Cultural Affairs Department, an agency with a good internal control process, to a high of 11.1 percent at GSD, an agency with a completely de-centralized process. Using an average error rate of 8 percent and the average time an e-mail box remains dormant after an employee or contractor terminates, the average annual cost of state agencies not disabling e-mail accounts on a timely basis could be as high as $258 thousand per year.

DoIT needs a single radio inventory system for multiple purposes.

Cost Allocation and Rate Methodology. The cost-allocation and recovery model used by DoIT is reasonable and verifiable for mainframe rates. The actual unit cost does not always equal the estimate prepared 12 to 18 months before the fiscal year starts. Based on a comparison of estimated to actual unit costs, DoIT may have to issue credits if rates initially set for each service are higher than necessary to recover costs. If rates are not adjusted and credits are not issued and DoIT over-recovered its costs, it may need a general fund appropriation to pay back the federal government for over charges. The state is faced with a double standard set by the federal government. If the state over-recovers costs, then it is required to reimburse the federal government, but if the state under-recovers costs the federal government does not reimburse the state.

Radio revenue and expenditures could be validated; however the rate for each service cannot be validated or reconstructed. Additionally, voice expenditures could be validated, but usage was not readily available to reconstruct the individual voice rates.

DoIT leases space to 11 federal government agencies and one private company as allowed by Section 9-27-15 NMSA 1978. In determining the overall cost of radio services, DoIT decreases the expenditures by the revenue it expects to earn from the leases rather than the actual revenue received. In FY09 the total leases billed was $20 thousand less than the revenue collected. Reducing the overall expenditures by the revenue DoIT expects to receive from leased infrastructure might pose a problem if the leases are cancelled and the revenue does not materialize.

Recommendations.

- To plan and operate a comprehensive public safety emergency network, DoIT should work with DFA Local Government Division.
- To achieve economies of scale and leverage existing infrastructure to assist in the development of a comprehensive network, the Legislature should consider amending the e-911 Act to include state-owned infrastructure.
- To save on cooling and electrical costs and encourage agencies to close individual data centers and reduce costs through less cooling, power and equipment, DoIT needs to adopt energy efficiency standards and provide virtualization and cloud computing for the data center.
- To potentially gain overall efficiencies and save from $940 thousand to $1 million, the executive branch should reduce the number of CIOs by five or six and require direct reporting to the

state CIO.

- To improve security surrounding smart phones, DoIT needs to align the Verizon contract with the devices it can securely support and ensure that agencies pay for services received.
- To emphasize the importance of security, DoIT staff needs to be reminded of its importance.
- To ensure DoIT's survival as an enterprise agency, collection of accounts receivable is paramount. Proper and timely reconciliation of accounts receivable and exercising DoIT's statutory authority to request transfer of funds should be a top priority to collect accounts older than 30 days.
- To improve agencies' understanding of invoices, DoIT needs to develop and conduct annual training before the new rates take effect each year. DoIT staff should also avoid providing conflicting information.
- To alleviate the need to pay overtime, on-call/standby and contractual services in excess of $2.7 million, DoIT should fill at least seven vacant IT positions
- To address over-recovery of costs and potentially avoid the need for a $3.9 million general fund appropriation, DoIT should work with the federal Division of Cost Allocation.

BACKGROUND INFORMATION

This review focused on the Department of Information Technology's (DoIT) compliance with its statutory requirements and provision of information technology (IT) and telecommunication services, including cost of the services and rates charged. The review of DoIT's oversight of executive agency IT projects and duty to assure that agencies comply with DoIT rules and policies and best practices was excluded because of time constraints.

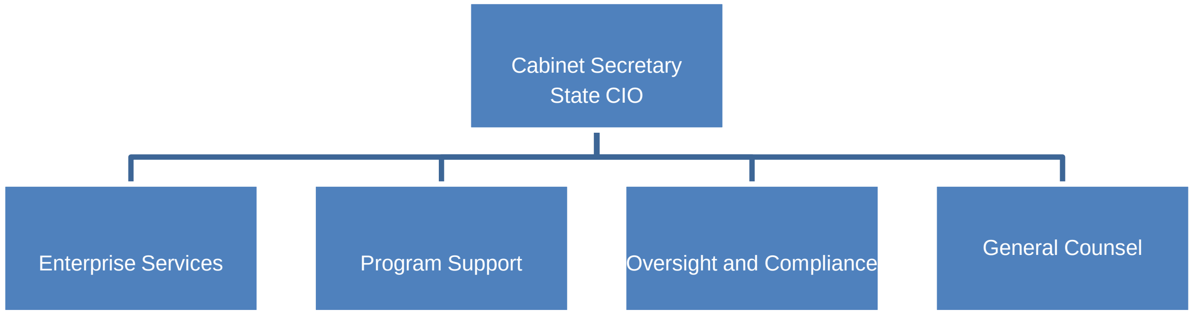
Agency Background. The *2003 Governor's Performance Review* recommended DoIT's creation by merging the Office of the Chief Information Officer and the General Services Department information systems and communications divisions as a way to provide useful, quality and cost-effective IT services. The review recommended an expansion of services to include uniform standards and policies and project management, security, disaster recovery, and infrastructure and strategic planning.

In July 2007, Section 9-27-1 NMSA 1978 (the DoIT Act) created the Department of Information Technology as the executive branch department responsible for streamlining and improving information technology systems. The DoIT Act followed the 2003 recommendation and merged the Office of the Chief Information Officer and the General Services Department Information Systems and Communications divisions, Radio Communications and Telecommunications bureaus. By law, DoIT has three authorized programs: Program Support, Enterprise Services, and Compliance and Project Management. Although not clearly specified in its enabling legislation, the number of exempt positions should be limited to five: secretary, deputy secretary, and three division directors.

Executive Order 2008-11 gave DoIT consolidation authority and requires it to continue consolidation activities to better serve citizens, improve IT programs, reduce or eliminate duplication, manage IT investments, secure data and mitigate risks.

Initially, DoIT was not structured in accordance with its enabling legislation. Currently, DoIT is going through a reorganization that will better align its organizational structure to the law and allow it to improve services. The budget restructuring was approved by the Department of Finance and Administration (DFA) for FY11 and codified in the 2010 General Appropriation Act. The chart below depicts DoIT's restructured organization by program.

Chart 1. DoIT High-Level Program Organizational Chart



Source: LFC analysis based on reorg

DoIT's mission is to provide its customers cost-effective and efficient enterprise products, services and solutions within a secure and reliable environment. The largest program and the main focus of this review is the enterprise services program responsible for providing reliable and secure infrastructure for voice, radio, video and data communications through the state's enterprise data center and telecommunications network.

IT Services. DoIT employs 201 full-time-equivalent staff, of which approximately 113 provide direct services to state agencies. DoIT provides the services shown in the table below to state agencies, including those in the judicial and legislative branches, if requested. DoIT charges fees for IT services, including the use of statewide human resource, accounting and management reporting (SHARE) system and telecommunications, including voice, data and radio. DoIT has a catalog of services that agencies can select from to know what they are buying and the cost of the services.

Table 1. DoIT Services Available to State Agencies

Enterprise Application and Desktop	Hosting and Storage
E-mail	Mainframe
Application Maintenance	Application
Software Application Design and Development	Equipment
Managed Desktop	Server Administration
File and Print	Data Storage and Backup
Data Network and Internet	**Voice Communications**
Wide Area Network	Desktop Telephony
Local Area Network	Toll Services
Network Engineering and Design	Microwave Radio Network
Internet Access	Wireless Voice and Data

Source: www.doit.state.nm.us

Compliance and Project Management. DoIT has an oversight and compliance component responsible for ensuring that IT projects funded through special appropriations or included in an agency's base budget are properly planned, managed, and implemented. Although the appropriation to the program for operations is $710 thousand, staff is responsible for reviewing IT projects totaling more than $200 million each year.

Budget and Expenditures. The budget summary by fiscal year is shown below. In FY10, funding for SHARE operations was transferred from DFA to DoIT to reflect the enterprise nature of the program. However, budgetary and physical consolidation of SHARE staff has not been completed. Consolidation of SHARE technical support and multiple agency contracts into a single wireless contract accounts for 11 percent of the budget increase from FY09 to FY10. DoIT's FY08 budget of $51.5 million increased 3.8 percent in FY09 to $53.5 million. The budget increased 19.1 percent from FY09 to FY10. The oversight and compliance division is funded 100 percent by a general fund appropriation that has decreased 38 percent since 2008. As part of the agency restructuring, consideration should be given to either eliminate or absorb into the enterprise services program.

Table 2. Actual Department Budget by Program FY08 - FY10

FY	Program Support (P771)	Enterprise Applications (P772)	Enterprise Services (P773)	Total All Programs	Percent Change
2008	$2,370,000.00	$11,699,400.00	$37,440,000.00	$51,509,400.00	
2009	$3,774,600.00	$12,209,100.00	$37,491,700.00	$53,475,400.00	3.8%
2010	$3,773,900.00	$21,655,900.00	$38,237,900.00	$63,667,700.00	19.1%

Source: CAFR Budget Status Reports and LFC Analysis

The FY10 increase includes consolidation of SHARE and wireless contracts, equipment replacement and a transfer from GSD.

DoIT expenditures by category from FY08 through FY10 are presented below. From FY08 to FY09 expenditures increased 3.3 percent compared with 1.8 percent from FY09 to FY10.

Table 3. Actual Department Expenditures FY08 - FY10

Expenditures	FY08	FY09	FY10
Personnel Services/Employee Benefits	$16,872,089.64	$16,597,650.65	$14,923,890.50
Contractual Services	$8,116,100.84	$7,287,964.74	$6,693,818.01
Other	$19,744,932.55	$20,561,477.68	$21,296,781.12
Other Financing Uses	$2,174,299.06	$3,999,200.00	$6,423,000.00
Total	**$46,907,422.09**	**$48,446,293.07**	**$49,337,489.63**

Source: CAFR Budget Status Report and LFC Analysis

Total DoIT expenditures increased from $46.9 million in FY08 to $49.3 million in FY10, or 1.8 percent.

An analysis and discussion of DoIT expenditures is included in the findings and recommendations section of the report.

Information Technology Commission. The DoIT Act created the Information Technology Commission (Commission) and made it responsible for setting the strategic direction for statewide IT initiatives and identifying statewide needs. It also serves as the oversight and approval body for DoIT's initiatives and for IT rules affecting state agencies. The Commission is required to meet at least quarterly to fulfill its statutory responsibilities.

During the 2009 legislative session, the Commission's membership was reduced from 17 to 15 voting members and from eight to five non-voting members. The revised DoIT Act prohibits lobbyists from serving on the commission because members serve in a decision-making or advisory role regarding IT projects.

Objectives. The objectives of the review were to answer the following questions related to DoIT operations and IT initiatives, including overall funding and rates.

1. Is DoIT meeting its statutory purpose?
2. What services does DoIT provide to agencies and at what price?
3. Do agencies understand what they are buying?
4. What IT and telecommunication services does DoIT provide and to which agencies?
5. What is the status of the first consolidation initiative?
6. What is DoIT doing to address consolidation and is there support for the initiatives?
7. How does DoIT spend its considerable budget?

Scope and Methodology.

- Review laws, rules, and regulations;
- Review Legislative Finance Committee (LFC) files;
- Review statewide policies and procedures regarding IT;
- Review DoIT strategic, program, budget and financial records;
- Interview DoIT and agencies' staff; and
- Analyze services and expenditures.

Authority for Review. LFC has the statutory authority under Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions, the effects of laws on the proper functioning of these governmental units, and the policies and costs. LFC is also authorized to make recommendations to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state law.

Review Team.
Aurora B. Sánchez, CISA, IT Program Evaluation Manager
Brenda Fresquez, Program Evaluator

Exit Conference. The contents of this report were discussed with Department of Information Technology Secretary Marlin Mackey, Deputy Secretaries Conny Maki and Robert Mayer, Chief Financial Officer Charles Martinez, and Legal Counsel Victoria Garcia, on August 4, 2010.

<u>Report Distribution.</u> This report is intended for the information of the Office of the Governor, Department of Information Technology, Office of the State Auditor, Department of Finance and Administration and Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Manu Patel

CONSOLIDATION

In March 2004, Governor Richardson signed Executive Order 2004-14 requiring consolidation of information technology operations and governance and declaring the intent to realize a first-year annual savings estimate of $19.3 million. The executive order was a direct result of the *Governor's Performance Review* (Performance Review) undertaken shortly after he took office in January 2003. Chapter V, Creating a More E-fficient New Mexico, addresses both consolidation of IT services and investing in MAGnet (multi-agency network). The primary intent of IT consolidation was to accomplish cost savings, short-term gains and set the foundation for long-term savings. A secondary intention was to create more efficiency, both intra- and inter-agency, to improve services. After DoIT's statutory creation, the governor rescinded Executive Order 2004-14 and issued in its place Executive Order 2008-11. This executive order gives DoIT consolidation authority and requires it to continue consolidation activities to better serve citizens, improve IT programs, reduce or eliminate duplication, manage IT investments, secure data and mitigate risks.

The initial IT consolidation initiative had three high-level components, which are still valid:

- IT staff consolidation that would allow a single point of accountability for IT,
- Sharing and leveraging common business functions, such as the Statewide Human Resources and Management Reporting (SHARE) system, and
- Technical services consolidation such as networks/telecommunications, e-mail, security (including identity management), and data centers.

According to a National Governors' Association issue brief on improving service delivery and government efficiency, an IT governance model that is focused on results should be implemented. There are two models: single agency or oversight board, ideally created by legislation. The model should provide leadership, organization, direction, credibility and accountability. The structure should be designed to establish accountability at all levels. A decision-making body and process for IT investment should be established. Finally, a trusted advisor should be empowered to bridge policy and technology. Reforms can be held back if not led by an empowered, experienced advisor or decision maker who understands how technology can enable government process and the policies behind them.

New Mexico has a single agency and an IT Commission created by statute with the Governor appointing the majority of IT Commission members. Policies, standards and rules are created by DoIT, approved by the IT Commission. Agencies are required to comply with standards. Agencies are strongly encouraged to use policies as guidance. Enterprise services are provided by DoIT.

Since 2003, the state has undertaken and completed or is in the processing of completing e-mail, telecommunications, accounting and human resource system, data center, security and staff consolidation. DoIT is also planning or launching new initiatives. The discussion below provides an update of the initial consolidation initiatives and those DoIT is currently working on. The table at **Appendix A** includes all the projects DoIT is working on whether funded with special or capital appropriations or through internal resources.

E-mail. The consolidation of e-mail at all executive branch agencies, including some elected officials was completed in 2005, but savings were not captured. The initial savings would have come from less equipment to support multiple e-mail systems and centralized operations and maintenance. The e-mail system is in production, used by over 19 thousand state employees and DoIT is planning the upgrade to Exchange 2010. The plan includes integrating existing Blackberry services, but not PDA or smart phones.

Telecommunication. MAGnet or multi-agency network was first proposed in 2002 based on an analysis of the number of data and voice lines used by state agencies. The survey found that there were 793 data lines that cost the state approximately $8.2 million annually and 1,045 voice lines that added another $23 million annually. The purpose of the project was to aggregate or combine data circuits used by state government to increase bandwidth (data or information transmission rates), to reduce the funding required to pay for circuits and to create a statewide infrastructure. In 2005, the project was renamed Wire New Mexico and expanded. The Rio Grande corridor of Wire New Mexico is complete and operational from Santa Fe to El Paso.

DoIT is spearheading broadband telecommunication initiatives across state government and is partnering with universities, public schools, local governments, and private telecommunication companies. Broadband, narrow banding and mapping projects have either started or are planned using federal grants and leveraging in-kind contributions or special and capital appropriations for Wire New Mexico.

For DoIT and New Mexico to be successful, the federal government will have to address unbundling regulations to allow telecommunication companies to provide “highway” and “on-ramp” services to open up competition and reduce resistance to competition. Currently, some providers will not serve an area unless there are at least 25 customers per mile, a major drawback to ensuring rural New Mexico customers are adequately served. As a way to promote competition and provide service and cost transparency to the customer, the Federal Communication Commission (FCC) plans to publish broadband pricing from the available area providers. Customers can choose the service provider that best fits their needs and pocketbook. FCC also plans to update rules for backhaul (sending network data over an out-of the way route because it cost less) spectrum. The broadband technology opportunity and broadband initiatives programs require that any backbone network build out allows open access. New Mexico’s challenge is to use current and future bandwidth capacity in an efficient manner, including consolidation of e-911 initiatives into the broadband initiative.

Section 9-27-14 NMSA 1978 gives DoIT supervisory control over all mobile or fixed radio equipment by state agencies. The mobile or fixed radios are used for public safety purposes and use the state’s microwave infrastructure. The agencies using the services are shown on table 15 at page 37.

Even though the state owns the microwave infrastructure and its primary use is public safety, DFA Local Government Division administers the e-911 fund for the purchase, lease, installation, or maintenance of equipment service at local governing bodies that operate a public safety answering point (PSAP) for receiving and dispatching emergency calls. Revenue for the e-911 fund comes from a $0.51 surcharge on subscriber access telephone lines and commercial mobile radio service subscriber. Section 63-9D-8C NMSA 1978 limits use of the e-911 fund to reimbursing local governing bodies or their fiscal agents, or paying commercial mobile radio service providers or telecommunication companies. The law does not seek to leverage existing state-owned infrastructure designed and built for public safety purposes. Moreover, the law does not recognize the State Police dispatch centers as PSAPs even though the FCC does. The table at **Appendix B** shows the FCC list of PSAPs in New Mexico. Moreover, in May 2010, the FCC granted DoIT the 700Mhz license to begin the buildout of a broadband network for first responders in the New Mexico.

Accounting and Human Resource System Consolidation. SHARE was implemented in July 2006. Even though SHARE had a rocky start, additional appropriations and agency contributions in excess of $20 million have greatly improved the system. Not all the required functionality is available, but the system has proven to be a good product. In 2008, SHARE funding was moved to the DoIT budget, the per-FTE costs were increased to allow for the establishment and replenishment of an equipment replacement fund. Governance continues to be split between the business owner, DFA, and the technology provider. The budgetary and physical locations of SHARE technical staff are still separated. In 2008 and 2009, the Legislature provided funding for disaster recovery, streamlined banking and e-procurement. DoIT allocated internal resources for archiving older SHARE data. In the fall of FY11, DoIT will be working with the Workforce Solutions Department to define and configure the grants and projects module.

Data Centers. According to the *2003 Governor's Performance Review*, five large agencies run their own data centers. The *Performance Review* recommended operating only two data centers to produce savings.

Since the 2006 LFC review that recommended a halt to the migration of servers from agencies because the data center infrastructure was substandard and posed a single point of failure, $6 million has been spent to upgrade the data center. The table below shows the upgrades that have been completed.

Table 4. Data Center Upgrades

Phase I	Cost
Upgrade UPS	$622.2
Increase Cooling Capacity by 3.5 times	$836.7
Reconfigure overhead air distributions	$37.9
Seal data floor, walls and old cable openings	$515.8
Modify UPS room cooling units	$18.5
Install cable trays in telecommunication room	$124.7
Install redundant cooling for basement telecommunication room	$118.1
Modernize automatic controls, software, trace system	$72.5
Phase II	
Upgrade UPS units and add a fourth unit	$281.7
Increase cooling capacity add second chiller	$630.2
Replace first generator	$413.5
Install new paralleling and switch gear	$405.1
Install PDU add six more units	$515.8
Relocate print shop, new doors, offices and bins	$84.4
Reconfigure humidifier	$12.0
New air intakes	$39.5
Replace second generator	$413.5
Replace automatic transfer switch	$313.2
Install load bank for generator testing	$232.0
Replace main switchgear	$250.0
Total	**$5,937.3**

Source: DoIT

The June 4, 2009, letter from the Governor's chief of staff informs all executive agencies that the data center can accommodate up to 2,000 additional servers. Agencies are instructed to "catalog all servers by use and incorporate all migration plans in the FY11 IT Plan."

Data center consolidation continues, although none of the data centers reported in the 2006 LFC report have been completely closed. Two, the Human Services Department (HSD) and Taxation and Revenue Department (TRD), have moved all production equipment into the upgraded and updated state data center and continue to run development and test servers at their agency sites. Other agencies are in the planning phases or are scheduled to move production servers into the data center in Santa Fe or the planned redundant site in Albuquerque. Among the server rooms that remain operational today are DOH and the Environment Department whose shared server room is across the parking lot from DoIT; the Children, Youth and Families and Workforce Solutions departments each operate a server room in Albuquerque and DOT has its own down the street from DoIT.

DoIT is investigating virtualization and cloud computing as strategies that will allow for the closure of the remaining data centers, reducing costs and improving efficiency. In a virtualized environment a single server behaves like multiple servers and desktop applications do not have to be loaded on individual machines, thereby saving on energy costs and reducing the number of servers and individual licenses. Virtualization coupled with cloud computing, a new way of providing hosted services based on agency need, can be used to convince agencies to close down data centers. DoIT's challenge with either strategy is to reassess and align its cost structure for services that can be scaled up or down depending on the customer's needs and communicating with customers what the new service can provide.

Other cost-saving measures for the data center come from using industry-standard energy-efficient equipment, using outside cold air to remove heat from the data center or using warm air from the data center to heat other parts of the building; and converting alternating current electricity into direct current.

These initiatives will shift costs from several agencies to DoIT, improve productivity, and possibly generate savings from centralized system administration and provisioning. Before launching into any new statewide initiative, DoIT cannot rely on the idea of "build it and they will come." Instead it must have buy-in from this and the next administration and from all affected state agencies. DoIT and the state agencies must consider and answer the following:

1. How will our agency change?
2. Which IT operations will remain at the agency and which will move to DoIT?
3. Who will determine which functions are cloud-ready?
4. How can IT (technology and staff) move adoption of new initiatives that will maximize benefits and minimize risks?
5. What job skills and roles will be needed (retained or increased) and which will be decreased or eliminated?
6. How many managers, including CIOs will agencies need?

Success is hinged on anticipation, adaptation, and adoption; just making it available is not enough. Cooperation, coordination, and consolidation (three Cs) are always a good idea, and during a budget crisis success can only be achieved if all parties engage in the three Cs.

Enterprise Security. The enterprise security program has had a slow start but has gained momentum as more agencies are affected by actual or attempted security breaches. DoIT, in coordination with agency CIOs, has developed a policy and administrative rule addressing security. DoIT's responsibility is to oversee and monitor the agencies' implementation of the policy and rule. Additionally, DoIT is working on a statewide request for proposal with the other branches of government to provide vetted and approved security assessment vendors from which agencies can select. The next section of this report discusses security in more detail.

Staff Consolidation. The November 2003 IT Management Recommendations white paper stated 10 of 63 IT units in state government accounted for nearly 80 percent of the IT operational budgets. It recommended the 10 agencies with the largest IT technology spending should have a CIO with a strategic and operational role reporting to the agency secretary. Executive Order 2004-14 mandated that CIOs or IT leaders of cabinet and executive agencies report directly to the office of the secretary or director of their agency and that all IT functions and staff within cabinet and executive agencies report to the agency CIO or IT leader of that agency. Any exceptions would have to be approved by the governor's chief of staff or designee. The

Legislature in 2005 responded by creating IT divisions in eight agencies, which expanded the number of highly paid exempt positions.
Except for the statutory creation of IT divisions, staff consolidation has not occurred. While IT positions have been frozen since 2004, a move toward consolidating infrastructure-like functions to DoIT has been slow to non-existent. Freezing positions without an accompanying clearly defined human resource reduction strategy has worked like an across-the-board FTE cut.

At the IT management level, the number of CIOs, whether created through statute or by agency direction has grown with salaries commensurate with a deputy cabinet secretary's salary. Sixteen agencies, including DoIT, have a CIO even though four of the 16 have working titles other than CIO. Based on the June 2010 organizational listing, the compensation for the 16 agency CIOs is $1.5 million.

Table 5. Annual Compensation of CIOs in Executive Branch Agencies
(in thousands)

Agency	Status	Annual Compensation
ALTSD	Classified	$93.2
DCA	Classified	$83.6
CYFD [1]	Exempt	$88.5
CD [1]	Exempt	$92.7
DHSEM	Classified	$84.1
DOH [1]	Exempt	$99.2
DoIT (Cabinet Secretary and State CIO)	Exempt	$107.8
DOT	Exempt	$94.6
DPS [1]	Exempt	$88.4
DWS [1]	Exempt	$92.6
NMED [1]	Exempt	$100.0
GSD	Classified	$99.8
HED [1]	Exempt	$83.0
HSD [1] (Acting)	Exempt	$108.0
PED [1]	Exempt	$95.7
TRD [1]	Exempt	$97.0

Source: LFC Analysis

(1) IT divisions created by statute

Potential savings could be gained by reducing the number of agency CIOs and restructuring the positions under the state CIO with reporting to the various departments' cabinet secretary. If the number were reduced to five or six CIOs, the state could save between $940 thousand and $1 million.

Freezing technical positions may have saved money in the personal services and employee benefits category, but the contractual services category has increased. Without internal staff to maintain and support the IT infrastructure and software, agencies must hire contractors to continue to make available the technical services to business users. Freezing technical positions simply shifts the cost to another category. New technology initiatives that DoIT is proposing may decrease IT contractual services at the agencies. However, DoIT's staffing levels will have to be sufficient to maintain and support any new service.

Recruiting and retaining skilled employees will present new challenges in the near and long term, with the crisis felt most acutely in the demand for employees with higher skill sets, particularly in technology. It is imperative that state agencies attract and retain talented, appropriately experienced IT leaders and staff to realize the full benefits of agency and enterprise technology solutions and to allow technology initiatives to move forward to meet public demand and to increase accountability.

Recommendations.

DoIT:

- Include all telecommunication initiatives into the broadband plan, including e-911.
- Work with DFA Local Government Division to plan and operate a comprehensive public safety network using state-owned infrastructure.
- Work toward the full physical and budgetary consolidation of SHARE technical staff to improve overall technical support.
- Move the remaining production servers to the DoIT data center, plan on providing development and test environments to agencies so that agency data centers can be closed. Request information from agencies on savings realized by closing down data centers, reducing the number of servers, and migrating administration to DoIT.
- Adopt efficiency standards for the data center, including industry-recommended equipment and energy-efficiency standards.
- Define virtualized and cloud computing services, including how and who will have access, policy on commissioning and de-commissioning services, a short-term shared services policy for agencies reluctant to migrate equipment, and applications to the data center.
- Ensure adequate security is in place before deploying virtualized or cloud computing services.
- Include a data center efficiency and capacity metric in the agency performance measures.
- Work with GSD - Property Control Division to assess the value of converting alternating current to direct current electricity.
- Continue educating agencies on the need for technical security and reporting.
- Reduce the number of agency-level CIOs by at least five and revamp the reporting structure.
- Assess agency IT staff and identify those that can be moved to the enterprise data center to provide enterprise-level support.
- Clearly define a strategy to reduce or eliminate positions that does not include wholesale across the board cuts.

Legislature:

- Limit infrastructure funding to the DoIT data center to provide enterprise or virtualized services.
- Consider amending the Enhanced 911 Act to include the state-owned public safety infrastructure to achieve economies of scale and leverage existing infrastructure.

IMPACT OF HIRING FREEZE ON SERVICE DELIVERY

Staffing Adequacy. IT services has approximately 100 positions of which 24 are vacant. The area with the highest vacancy rate is security, followed by telecommunications. During the 2010 legislative session, 17 positions were eliminated, including the public information officer and a special projects director. DoIT chose not to eliminate either position and instead eliminated the cost allocation bureau chief. Although the elimination of vacant positions may not adversely affect the provision of services, continued vacancies and the hiring freeze may impact consolidation efforts and eventually the effective delivery of services.

The department's vacancy rate as of May 2010 is 15.3 percent with the majority (77.4 percent) being IT positions. Vacant IT positions can have a negative impact on an agency such as DoIT that provides enterprise services to all state agencies. The only options for mitigating the negative impact of the hiring freeze on services are overtime and contractual services.

DoIT's on-call/standby or callback policy defines call back as an employee physically returning to work when the employee is not scheduled to work and when authorized by a supervisor. On call/stand-by is defined as non-duty hours when an employee must be available by telephone or electronic means. Standby is compensated at one-eighth of the employee's hourly rate. Physical callback to the site has a minimum guarantee of two hours of pay at the applicable straight time or overtime rate. For bargaining unit employees, work shall be rotated among qualified employees.

The following list of occupations has been identified by DoIT staff as eligible to receive on-call/standby or callback compensation as part of the enterprise program. The list indicates the average salary for each occupational group based on the April 2010 State Personnel Office organization listing report, as well as the salary range for each group.

Table 6. Occupational Groups Eligible For On-Call, Callback and Standby Pay
(in thousands)

	Occupation	Min	Mid	Max	DoIT Average Salary*
1	Computer Oper – A	$22.6	$31.4	$40.2	$42.8
2	Computer Oper – O	$20.4	$28.3	$36.2	$27.9
3	Dispatcher 2	$22.6	$31.4	$40.2	$31.9
4	Gen I – IT	$64.3	$89.3	$114.3	$92.9
5	IT Apps Dev II	$38.2	$53.0	$67.9	$59.3
6	IT Apps Dev III	$48.9	$68.0	$87.0	$78.0
7	IT Database Adm II	$43.1	$59.8	$76.5	$74.0
8	IT Generalist I	$38.2	$53.0	$67.9	$63.8
9	IT Generalist II	$48.9	$68.0	$87.0	$67.1
10	IT Network Spec II	$34.0	$47.3	$60.5	$48.2
11	IT Network Spec III	$43.1	$59.8	$76.5	$64.1
12	IT Sys Manager III	$43.1	$59.8	$76.5	$73.4
13	IT Sys Manager IV	$48.9	$68.0	$87.0	$79.4
14	IT Tech Support Spec I	$27.6	$38.4	$49.2	$38.4
15	IT Tech Support Spec II	$30.5	$42.4	$54.3	$47.8
16	Line II	$34.1	$47.3	$60.5	$44.0
17	Security Guard – A	$20.4	$28.3	$36.2	$30.0

Source: SPO April 2010 Organizational Listing

*Salaries are rounded to the nearest thousand.

Eight employees out of the 67 are eligible to earn an hourly rate in excess of the maximum of the pay range identified above. However, it is unclear whether the difference is related to a temporary or permanent pay differential. The amount in callback compensation paid in FY08 through March 2010 is relatively small compared with the amount paid for overtime, annual leave, and compensatory time. Employees accumulate annual and compensatory time when agencies are understaffed or do not enforce or encourage employees to take leave. Moreover, both annual and compensatory time become a liability to the state that requires monetary compensation at termination. During a budget crisis, this is a liability the state can ill afford.

According to the SHARE budget status reports, only a small fraction of “other compensation” is related to differential pay. However, the department spends a significant amount on overtime and other as shown in the table below.

Table 7. Compensation Paid Over Regular Pay
FY08 through 3rd Quarter FY10
(in thousands)

	Enterprise Applications	Enterprise Services	Total	Percent of Total
Fiscal Year 2008				
Overtime & Other	$110.8	$126.1	$236.9	78%
Annl & Comp Paid	$20.7	$32.0	$52.7	17%
Differential Pay	$5.4	$9.8	$15.2	5%
Total	**$136.9**	**$167.9**	**$304.8**	**100%**
Fiscal Year 2009				
Overtime & Other	$48.4	$140.2	$188.6	72%
Annl & Comp Paid	$12.3	$46.5	$58.8	22%
Differential Pay	$5.7	$9.6	$15.3	6%
Total	**$66.4**	**$196.3**	**$262.7**	**100%**
Fiscal Year 2010				
Overtime & Other	$25.9	$75.8	$203.6	81%
Annl & Comp Paid	$8.4	$1.8	$29.6	8%
Differential Pay	$3.9	$9.3	$19.0	11%
Total	$38.2	$86.9	$252.2	100%

Source: DoIT

In addition to overtime pay, DoIT has entered into contracts to ensure adequate levels of service are maintained throughout the year. Since 2008, 13 employees retired, 19 separated for reasons other than retirement, and five transferred to other agencies. Some service areas have just one person. A hidden personnel cost is payment for employees on-call and on standby. In FY10, DoIT paid employees required to be on-call or on standby $699.9 thousand. In FY10, DoIT contracted $1.8 million in services for projects that could have been done by DoIT staff if the agency had sufficient and expertly trained staff to complete the projects.

Based on the average mid-point salary, DoIT could fill 15 or 17 full-time-equivalent positions that could alleviate the need to pay overtime, on-call or standby time and potentially annual and compensatory time. Hiring full-time staff adds to the agency's stability and provides assurances to agencies receiving services that their needs will be met.

An example of the hiring freeze's impact on coverage is best seen in the Radio Bureau. The Radio Bureau has 22 full-time-equivalent positions, of those 18 are filled for a 19 percent vacancy rate. The staff is responsible for 123 radio sites across the state. The map at **Appendix C** shows the geographical area of responsibility, number of FTE available in the area and the number of sites within the geographical area. Although some of the smaller radio towers are located near State Police and Game and Fish Department offices, the large towers are on remote mountaintops that require the use of specialized equipment to access the site and at least two people to do the work.

Recommendations.

DoIT

- Fill at least half of the vacant positions to ensure sufficient state staff to provide services and reduce overtime and on-call/standby by 50 percent and contractual services by at least 20 percent.
- After vacant positions are filled and staff is trained to support the service to which they are assigned, encourage the use of annual leave and comp-time earned to reduce it by 50 percent.

EXPENDITURES AND ACCOUNTS RECEIVABLE

Data Center and Telecommunication Services Expenditure Analysis. Total expenditures for all programs for FY08, FY09 and FY10 were $46.9 million, $48.6 million and $49.3 million, respectively. The two programs that provide direct IT services to agencies make up over 80 percent of DoIT's entire budget. In FY11, these two programs will be collapsed into a single program that provides enterprise services. DoIT is also collapsing the funds and using only the 20310 to account for all enterprise expenditures, except SHARE, which remains split between DFA and DoIT. The staff assigned to DFA is supported by revenues collected by DoIT and transferred to DFA. Staff is housed in both the Bataan Memorial and Simms buildings.

The highest expenditure categories in funds 20310 and 20330 (central telephone fund and information services fund) were contractual services and other followed by personal services and employee benefits. Because DoIT is collapsing the funds and merging the two enterprise programs into a single fund and program, for comparison purposes, the data presented is for a single enterprise program. The contractual services and other categories combined account for 44 percent of the total expenditures for the enterprise services programs in FY10. Those expenditures represent payments to vendors to support the various services provided to state agencies, counties, municipalities, universities, and some federal agencies. The table below provides an aggregated view of the two expenditure categories by service.

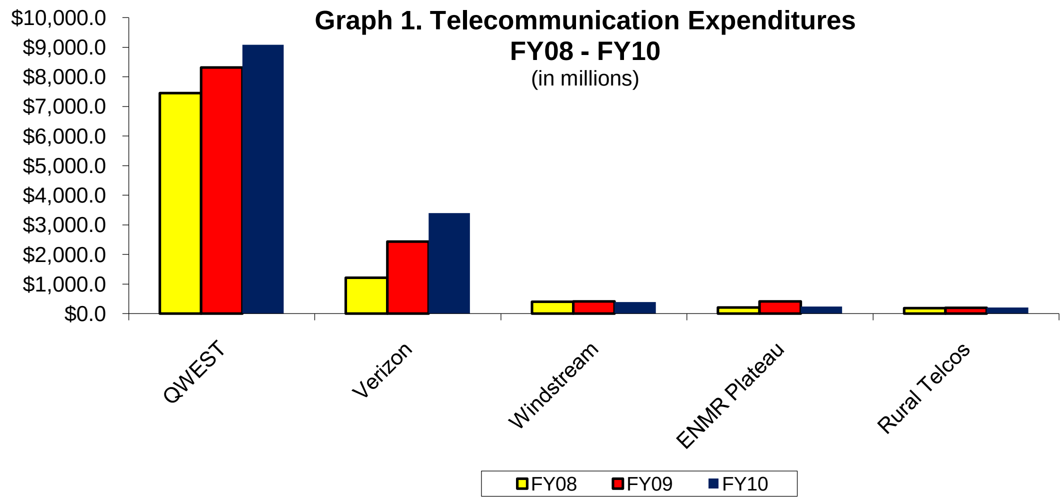
Table 8. Aggregated Contractual Services and Other Expenditures by Service Type
(in thousands)

Service Type	FY08	FY09	FY10
Telecommunication companies	$10,822.5	$11,792.0	$13,339.3
Internet	$124.8	$102.4	$67.2
Broadband	$131.6	$161.1	$73.6
Radio	$74.9	$122.0	$95.3
Equipment	$2,006.1	$2,655.5	$1,893.3
Security		$65.0	$70.0
Mainframe	$4,894.9	$3,970.8	$3,263.5
e-Mail	$1,217.3	$1,241.7	$1,756.9
Storage	$313.1	$230.3	$315.0
Other (Various vendors of equipment and services)	$741.0	$306.9	$790.8
SHARE		$131.8	$10.3
Total Contractual Services and Other	**$20,326.2**	**$20,779.5**	**$21,675.2**
Total All DoIT Expenditures	**$46,907.4**	**$48,446.3**	**$49,337.6**

Source: LFC Analysis

(1) Remaining SHARE expenditures reported in a separate fund

Telecommunication companies' expenditures are the highest single expenditure in the enterprise services program. The expenditures represent payments to telecommunications companies for land-line and wireless services for all state agencies. As shown in the graph below, Qwest and Verizon are the state's two largest providers of telecommunication services.



Source: LFC Analysis

As shown in the table and graph above, New Mexico spends over $13 million on telecommunication services purchased from providers. A review of the process for approving and paying telecommunication vendors is weak and could allow erroneous payments to be made. The accounts payable staff receives paper invoices (Qwest alone submits 900 invoices per month for local services and over 24,000 pages for long distance services) but the business owner of the service does not review or signoff acknowledging the accuracy of the invoice. Section 6-5-2 NMSA 1978 requires agencies to implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law. Section 6-5-8 NMSA 1978 requires all vouchers to be certified as true and correct by the officer or employee designated to approve payments of claims against state agencies. Section 13-1-158 NMSA 1978 prohibits agencies from issuing a payment for services unless the purchasing office or the using agency certifies that services have been received and meet the specifications.

Recommendations.

DoIT

- Consider changing the statutory name of fund 20310 from the central telephone services fund to one that better describes its purpose and use.
- In the next two years, consider eliminating the SHARE fund and collapse it into the enterprise services fund as there is no reason to maintain SHARE as a separate enterprise service.
- Physically locate all SHARE technical staff at the DoIT data center facility.
- Formulate an action plan that includes identifying telecommunication staff that will be responsible for reviewing and approving telecommunication vendor invoices, training the staff, and develop a timeline in which to transition the responsibilities to the telecommunications staff.
- Require the large telecommunication vendors to submit electronic invoices that can be compared to the inventory of active telephone numbers and contract terms.

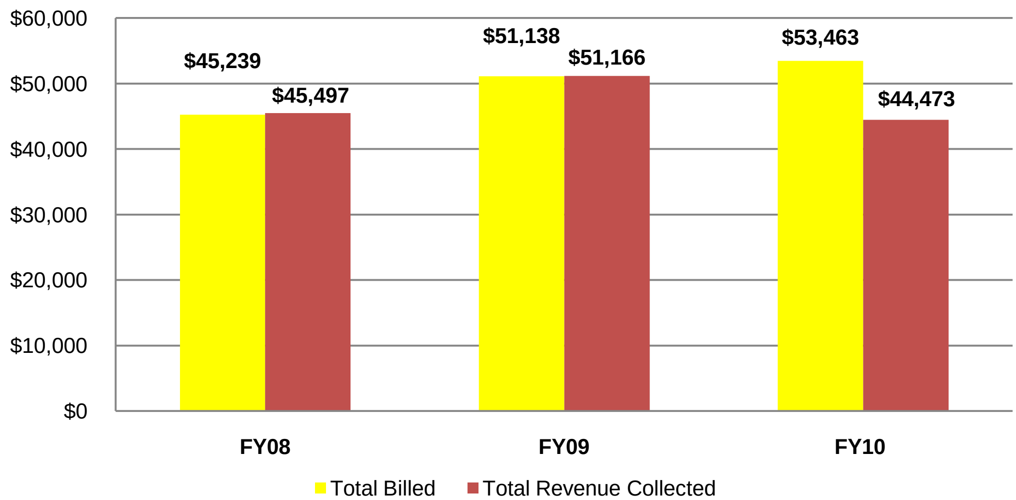
DFA and LFC

- Move the SHARE budget and staff from DFA to DoIT, thereby eliminating the need to transfer money to DFA to support the SHARE technical staff that should be part of the enterprise organization.
- Add a review of telecommunication invoices to determine if payments are for services provided and that the state is not paying for telephone numbers it does not use.

Collection and Accuracy of Accounts Receivable. DoIT is an enterprise agency, which means it charges for services and must generate sufficient revenue to be self-supporting. As such, it is important to measure and monitor collection of accounts receivable. During the 2007 legislative session, the Legislature was made aware of the problems DoIT has collecting amounts due from state agencies and provided a mechanism in Section 9-27-6E NMSA 1978 that allows DoIT the ability to timely collect balances due past 30 days.

Overall the amounts billed for the fiscal years 2008 and 2009 are on par with the amounts collected, as shown in the graph below.

Graph 2. Amounts Billed vs. Revenue Collected
(in thousands)



Source: DoIT

The FY10 revenue reflects 11 months of activity and does not include collection of $5.5 million billed June 2010.

In FY08 and FY09, DoIT consumed between $9 million and $11 million in IT and telecommunication services to provide services to agencies. Although the rates include DoIT usage, it is unclear if DoIT has any incentive to reduce overall usage that will then reduce rates.

In FY09, one of DoIT's General Appropriation Act (GAA) performance measures was the percent of accounts-receivable dollars collected within 60 days of the invoice due date. The actual performance of 68 percent fell well below the 95 percent target for FY09. In FY10 the target was lowered to 60 percent and at the end of the third quarter the actual collection rate is 42 percent. Unless collections increase dramatically in the fourth quarter, DoIT may again fail to meet its performance target.

The FY10 third-quarter *Performance Report Card* shows there was a reduction in receivables outstanding over 60 days. Accounts receivable over 60 days continued to decrease from $10.3 million in December 31, 2009, to $4.7 million as of June 30, 2010, including applied credits. Although the decrease from the previous quarter suggests an improvement, DoIT continues to struggle as indicated by FY10 revenues being $2.2 million lower than anticipated. In May and June 2010, DoIT reduced its FY10 operating budget by $2 million. The majority of the reduction, $1 million, was in the personal services and employee benefits category.

DoIT received a qualified opinion in its FY08 and FY09 financial audits because it did not have its accounts receivable reconciled. Additionally, accounts receivable data in the subsidiary ledger (GEAC) is not recorded in the (SHARE) general ledger monthly, even though the subsidiary ledger is updated monthly for billing purposes. In FY10, only one month was posted timely to the general ledger, the other 11 months were two and three months behind. The untimely posting of accounts receivable to the general ledger and lack of a timely reconciliation may result in revenue being misstated. For example, a timely and accurate reconciliation would have identified that HSD had made payments totaling $370 thousand in December 2009 and EMNRD's $70 thousand payment in 2007. DoIT's corrective action involved developing reconciliation procedures and conducting training for all accounts receivable staff. Although reconciliation procedures have been developed and training has taken place, the accounts receivable section did not perform reconciliations and will probably not satisfy the financial auditor for the FY10 audit. To address the issue, DoIT is considering hiring a contractor to reconcile the accounts and provide additional training.

At the end of FY10, accounts receivable for IT, telecommunication, and radio services totaled $9.6 million, of which $3.6 million was more than 120 days old. An analysis of April 2010 outstanding balances greater than $100 thousand for IT and telecommunication services and balances greater than $20 thousand for radio communication services found that 12 individual agencies account for $8.2 million, or 77 percent of the total due.

Table 9. Outstanding Accounts Receivable Sample by Service as of April 30, 2010
(in thousands)

Service	Number of State Agencies (2)	Total	Percent of Total Receivables
IT	8	$3,958.3	83%
Telecommunications (1)	6	$2,325.1	61%
Radio	5	$1,991.3	94%
Total		**$8,274.7**	

Source: LFC Analysis

(1) $414 thousand cannot be identified to an agency.
(2) Some of the same agencies owe for multiple services.

The table below shows the amount owed by each agency in the sample. The amounts shown are not the grand total due by each agency. An account of particular concern is the "unknown" or "unidentified" account, which owed $414.5 thousand in April 2010 and owes $433.8 thousand as of June 30, 2010.

Table 10. Outstanding Accounts Receivable Sample by Agency as of April 2010
(in thousands)

Agency	Services			
	IT	Telecommunications	Radio	Total
CD		$250.0	$20.6	**$270.6**
DFA	$123.6			**$123.6**
DOH	$145.3	$716.3	$1,219.9	**$2,081.5**
DOT	$1,630.1	$365.8	$394.2	**$2,390.1**
DPS			$273.2	**$273.2**
EMNRD			$83.5	**$83.5**
GSD(2)	$788.2			**$788.2**
HSD	$679.0	$380.2		**$1,059.2**
SLO	$166.2			**$166.2**
STO	$195.8			**$195.8**
TRD(1)	$230.2	$198.3		**$428.5**
Unknown		$ 414.5		**$414.5**
Total	**$3,958.4**	**$2,325.1**	**$1,991.4**	**$8,274.9**

Source: LFC Analysis

(1) TRD amounts includes $118 thousand for ONGARD

(2) GSD amount includes $642.1 for the Transportation Services Division

Of the radio accounts selected for review, two agencies (Corrections and Public Safety departments) had paid and were up-to-date to the current month so no additional follow-up was conducted. Preliminary documentation for the Energy, Minerals and Natural Resources Department shows it might have already paid the outstanding amount. The Department of Health (DOH) remains in arrears and is disputing the amount due. The Department of Transportation (DOT) has finally set aside budget to pay its outstanding invoices; as of June 30, 2010, DOT's balance was $265.7 thousand.

Of the six telecommunication accounts, the Corrections and Taxation and Revenue departments were current. DOH was reviewing its telecommunication invoices and no payment or explanation was provided. The other accounts require additional follow-up by the agencies and DoIT.

Agencies with IT service accounts in arrears were contacted for explanations of why the payments had not been made. Below is a discussion of the reason accounts remain unpaid.

- The Department of Finance and Administration (DFA) responded to say it was working on a reconciliation that would take several months.
- DOT could not pay because of a cash-flow deficit resulting from a significant drop in state road fund revenues. In May 2010, DOT paid $798.5 thousand and agreed to pay the balance in January 2011.

- GSD had large outstanding amounts at the Administrative Services and Transportation Services divisions. Shortly after requesting information about the reason for the account being in arrears, GSD Administrative Services Division processed a payment for $90.3 thousand for all FY10 invoices. GSD Transportation Division (TSD) refused to pay its outstanding balance because it did not believe it owed for the services and DoIT staff was providing conflicting information. An analysis of the services, rates charged, and amounts due showed that indeed TSD owes DoIT the full amount.
- In FY09, the State Land Office (SLO) paid $96.7 thousand, but DoIT did not receive or deposit the warrant. Neither agency filed an affidavit for the lost warrant as required by Section 6-10-60 NMSA 1978, which states if the original warrant has not cleared the treasury or the fiscal agent and a stop payment has not been filed, the party applying for the duplicate shall file with the officer an affidavit that shall state that the original warrant has been lost, destroyed, or never received. SLO has requested and DFA has approved using current-year money to pay a prior-year expenditure.
- The State Treasurer's Office (STO) owes DoIT at least $143.3 thousand. Initially STO believed that a $50 thousand operating transfer from June 29, 2006, had not been properly posted by GSD. However, documentation shows the $49.9 thousand of the operating transfer was applied and an over-payment of $97 remains as a credit on the statement on account. The credit will be applied to STO's outstanding balance once it notifies DoIT of the appropriate invoice. STO needs to meet with HSD to discuss when and how much of the outstanding amount will be paid.

None of the agencies with outstanding balances have submitted a formal letter disputing the amount or content of the invoices. Instead, agencies resort to phone calls, meetings, or simply ignoring their obligations.

DoIT has the authority under Section 9-27-6E NMSA 1978 to request that DFA transfer outstanding balances older than 30 days for which there is no outstanding, unresolved disputes. However, DoIT has not yet exercised its authority. It has a draft dispute policy that mirrors Section 9-27-6E NMSA 1978, but it has not determined what documentation will be required, who the information should go to, or who can submit the information nor has it defined an escalation process. Moreover, the policy limits disputes to erroneous charges for services. Section 9-27-6E NMSA 1978 requires DFA to be the final arbiter of billing disputes and to transfer unpaid and undisputed past due amounts to DoIT. However, DFA has instead asked DoIT to work with the each agency's chief financial officer or financial lead to coordinate the effort for the notification process for the initiation of an operating transfer before they are processed in SHARE and approved by DFA Financial Control Division.

Recommendations.

DoIT:

- Identify cost saving measures that will reduce internal usage and potentially reduce overall service rates.
- Require billing and telecommunication staff to address the unknown/unidentified account so that the appropriate entity can be properly charged for the service it is receiving. If

available research means it cannot identify the user of the telephone/data account, then agencies should be notified that the numbers on the list will be deactivated within 30 days, allowing agencies sufficient time to review the list and claim the number.

- Train staff on how rates are constructed and what each includes and appoint a single point-of-contact for agencies.
- Improve communication and collaboration among internal staff.
- Post the accounts receivable data timely to the SHARE general ledger and reconcile the subsidiary and SHARE general ledger monthly.
- Provide additional reconciliation training to staff and review the reconciliations periodically to ensure compliance with the approved reconciliation procedures.
- Monitor past due accounts and conduct monthly follow-up with agencies to resolved unpaid accounts.
- Develop a dispute policy that includes definitions, identifies adequate and acceptable supporting documentation, identifies who is responsible for reviewing and addressing the disputed account and from whom disputes will be accepted, and establishes an escalation process for unresolved disputes.
- Consider developing an administrative rule in coordination with DFA to define the requirements and processes for collecting outstanding balances older than 30 days authorized in Section 9-27-6E NMSA 1978.

Agencies:

- Notify DoIT in writing of disputes or disagreements with invoices that are not timely resolved.
- Prioritize the budgetary needs and include DoIT services at the top of the list.
- Encumber amounts estimated for DoIT services at the beginning of each fiscal year to ensure sufficient budget to meet the obligation.

DFA Budget Division:

- Require agencies to encumber funds to pay for DoIT services.

Billing Accuracy and Agency Monitoring Process. Prior to DoIT's creation, agencies complained that invoices for IT and telecommunications services were incorrect. The Cultural Affairs Department (DCA), Secretary of State (SOS), General Services Department (GSD), and Public Education Department (PED) were selected to determine the accuracy of e-mail and hosting services invoices and processes in place at each agency to ensure accuracy. The four agencies spent over $11 thousand for services that should have been terminated if the agency had a process in place to ensure accuracy of the accounts. No issues were found with how hosting services are billed. The table below shows the number of accounts, the number that should have been disabled, the error rate, and the dollar impact to the agency. Failure to disable e-mail accounts allows a non-state employee to have access to the state's e-mail system for an indefinite time if the password does not lapse.

Table 11. Results of e-Mail Account Review

Agency	Number of e-Mail Accounts	Number Required to be Disabled	Error Rate	Dollar Impact
DCA	512	8	1.56%	$268.00
GSD	293	30	11.10%	$5,504.00
PED	305	23	8%	$3,179.00
SOS	47	6	12.80%	$2,138.00
Total				**$11,089.00**

Source: LFC Analysis

Average error rate of population: 8%

In general, agencies do not understand how services are charged and do not fully understand the content of DoIT invoices. Even though DoIT now publishes a catalog describing each service and its rate, it appears that agencies do not review it for explanations. For example, GSD Transportation Services Division had an April 2010 outstanding balance in excess of $600 thousand because it did not understand the contents of its invoices. Additionally, it did not consult the online catalog so it did not understand that cost for application maintenance services for its various applications is "based upon actual application support requirements from the previous fiscal year."

Every agency reviewed had a different process for reviewing its DoIT invoices for accuracy. DCA stands out because its low error rate involves its human resource (HR), IT, and division staff. The agency created and uses a help desk form that requires HR to confirm any new employees before an account is enabled. It also requires notification from HR when an employee leaves the agency. If a particular division has a contractor who wants or needs an e-mail account, the division is required to signoff that it is authorizing the account and that it will pay for it.

A review of e-mail accounts shows that agencies are not completely proactive in disabling accounts when staff leaves for any reason (retirement, resignation, or firing). The error rates in similarly sized agencies in the sample ranged from a low of less than 2 percent at DCA, an agency with a good internal control process, to a high of 11.1 percent at GSD, an agency with a completely de-centralized process. At GSD, 30 out of 293 accounts had to be disabled, one dating back to 2005. Not having good internal controls causes an agency to spend money needlessly and consumes electronic space unnecessarily, negatively impacting other users. The amount of money needlessly spent in the sampled agencies is not significant, ranging from a low of $268 to a high of $5,504. However, during a time of scarcity, any savings can assist an agency in addressing other issues. The overall impact to the state may actually be higher when an average error rate of 8 percent is projected across the e-mail account population, and the potential savings could be significant. For example, using an average error rate of 8 percent and the average time an e-mail box remains dormant after an employee or contractor terminates, the average annual cost of not disabling e-mail accounts on a timely basis could be as high as $258 thousand per year.

Another issue that surfaced during the review was that the Secretary of State is allowing one of its employees to use his personal e-mail account through TaosNet to transact state business. State employees using personal e-mail account to conduct state business effectively convert a private service into a state service subject to the Inspection of Public Records Act. Section 14-2-6E NMSA 1978 defines a public record as all documents, papers, letters, books, maps, tapes, photographs, recordings, and other materials, regardless of physical form or characteristics, that are used, created, received, maintained, or held by or on behalf of any public body and relate to public business, whether or not the records are required by law to be created or maintained. State government-related e-mail communications sent or received through a private e-mail service are considered a public record under the definition cited above. Moreover SOS is spending money on an e-mail account that has never been used.

Recommendations.

DoIT:

- Revise invoices to include correct server names, applications, database, and websites.
- Implement an outreach program to inform agencies about its services, cost of services, how to read invoices for services, and the proper process to dispute charges for services.
- Consider conducting training sessions each year before the rates take effect.

Agencies:

- Establish a monthly invoice review process similar to that used by the Cultural Affairs Department.
- Establish a policy for deactivating accounts for terminated employees and contractors no longer needing access to the systems.
- Immediately disable an employee's e-mail account on separation and coordinate employee transfers to other state agencies with that agency IT lead or HR staffer to reduce payments for accounts no longer needed.
- Consider centralizing accountability, monitoring, and review of IT services.
- Develop and enforce a policy that does not allow employees to use private e-mail accounts to conduct state government-related business.
- Establish e-mail account naming conventions that mirror SHARE human resource data.

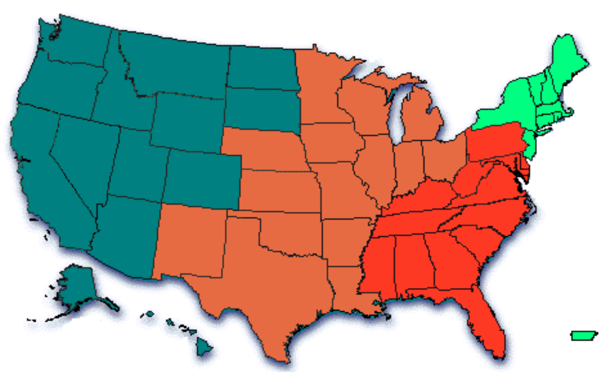
INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS RATES

Section 9-27-6C NMSA 1978 requires the DoIT secretary to "develop information technology cost recovery mechanisms and information systems rate and fee structures for executive agencies and other public or private sector providers and make recommendations to the information technology rate committee."

Section 9-27-7 NMSA 1978 establishes the Information Technology Rate Committee (Rate Committee) and makes it responsible for approving and implementing an equitable rate and fee schedule based on cost recovery for state agencies. The Rate Committee is required to implement the fee schedule by July 15 of each year. Five executive branch agencies that pay for services and the DoIT and DFA secretaries are members. DoIT can reduce rates without Rate Committee approval.

Statewide Cost-Allocation Plan. New Mexico is part of the U. S. Department of Health and Human Services central region (see Figure 1 below) of the Division of Cost Allocation, the federal agency responsible for reviewing and negotiating statewide cost-allocation plans (SWCAP). The indirect cost rates and cost-allocation plans are used by grantee institutions to charge federal programs for administrative and facility costs.

Figure 1. Cost Allocation Region



Source: US Department of Health and Human Services

In June 2010, the Department of Finance and Administration (DFA) signed the FY10 cost-allocation agreement for central service costs on a fixed basis. The cost-allocation agreement included DoIT's services for enterprise applications, hosting and storage, data, network, Internet, and voice communications. The agreement limits charges to:

1. Those that are statutory or administrative;
2. Costs incurred that are legal obligations and allowable under Office of Management and Budget (OMB) Circular A-87;
3. Indirect costs that are not claimed as direct costs;
4. Similar costs where a consistent accounting treatment is applied; and
5. Information that is not later found to be materially incomplete or inaccurate.

OMB Circular A-87, the cost principles for state, local, and tribal governments, states that a comparison of revenue generated by each billed service to actual allowable costs of the service will be made annually, and an adjustment will be made for the difference between the revenue and the allowable costs. DoIT's Office of Cost Recovery and Allocation is in the process of reviewing FY10 rates and comparing estimated to actual unit costs to determine if the FY10 rates need to be adjusted. DoIT may have to issue credits if rates initially set for each service are higher than necessary to recover costs. If rates are not adjusted and credits are not issued and DoIT over-recovered its costs, it could be in a situation similar to the one that required a $2.9 million general fund appropriation in FY09 to pay back the federal government for over charges. The state is faced with a double standard set by the federal government. If the state over-recovers costs, then it is required to reimburse the federal government, but if the state under-recovers costs the federal government does not reimburse the state.

The federal government is responsible for reviewing the state's SWCAP within six months of its submission. If the review is not conducted in a timely manner, each agency that claims indirect costs from its federal grantees must use the last approved SWCAP. This could result in lower indirect cost claimed by agencies with federal grants and lower reimbursements and have a negative impact on the general fund.

The FY09 revised SWCAP shows balances carried forward from FY05 for five rates that could result in New Mexico owing the federal government for over charges. DoIT is in the process of collapsing companion services that might result in a zero net of over- and under-charges to avoid a general fund appropriation. If the determination concludes that DoIT did over-charge for services and the federal government does not accept the collapsing of companion services, then a general fund appropriation to reimburse the federal government for over-charges will be required. The table below shows the potential overcharge by service.

Table 12. Excess Balances for Current Services (FY06 – FY09)

Service	Over-charge
CICS CPU	$901,720
Disk Occupancy	$2,888,566
Tape Occupancy	$76,644
Rack Unit Fee	$41,245
Blackberry Service	$7,061
Total	**$3,915,236**

Source: DFA

The FY09 profit and loss analysis by service shows that DoIT is not recovering its overall costs to provide the services. The FY09 loss was $1.2 million as shown in the table below.

Table 13. FY09 Profit and Loss by Billable Service
Unit Cost versus Approved Rate

Billed Services	Profit or (Loss)	FY09 Actual Unit Cost	FY 09 Approved Rate	Over or (Under)	Percentage Difference
SY – General CPU	($319, 806)	$16.53	$15.16	($1.37)	-8%
SY – Database CPU	$44,194	$112.66	$113.72	$1.06	0.94%
SY – CICS CPU	($58,956)	$30.70	$29.16	($1.54)	-5%
SY – Disk Occupancy	($28,516)	$0.000640	$0.0006000	($0.00004)	-6%
SY – Tape Occupancy	($446,424)	$0.0118	$0.0080	($0.00376)	-32%
OP – Print Pages	($269,396)	$0.1656	$0.0400	($0.13)	-76%
OP – Window Server Dedicated	($158,771)	$3,376.89	$730.70	($2,646.18)	-78%
DM – Tier 1 SAN Storage	($138,578)	$5.66	$3.79	($1.87)	-33%
DM – Tier2 SAN Storage	$72,165	$0.51	$2.33	$1.82	356%
DM – Storage Server Fee	($17,514)	$405.75	$341.60	($64.15)	-16%
DM – Open Systems Backup	($46,504)	$4.14	$2.40	($1.74)	-42%
DS – Rack Unit Fee	$46,482	$19.13	$21.71	$2.58	13%
DS – Windows Server System Administration	($41,105)	$729.23	$667.70	($61.73)	-8%
EM – Mailbox Fee	($121,421)	$14.34	$13.62	($0.72)	-5%
EM – Blackberry Service	($3,258)	$10.67	$10.29	($0.38)	-4%
EA – File and Print Service	$24,536	$55,57	$58.56	$2.99	5%
EA – Agency Application Systems Maintenance	($11,135)		Subscription		
EA – Web Hosting Fee	$299,482	$132.62	$291.83	$159.22	120%
Total	**($1,174,527)**				

Source: DoIT and LFC Analysis

Additionally, the annual profit and loss statement cannot be compared with the federal balances because federal balances are cumulative year-over-year and the profit and loss reflects only one year. For example, in FY09 the profit and loss statement showed the general central processing unit (CPU) lost $319.8 thousand. However the cumulative federal balances show a loss of $3.2 million. The table at **Appendix D** compares federal cumulative balances and annual profit and loss by service. If DoIT can settle federal balances from FY05 through FY09, in FY10 the federal balances and the annual profit and loss should be better aligned and more comparable.

Rate Development and Setting. The cost-allocation and recovery model used by DoIT is reasonable and verifiable. Actual unit cost is not always in line with the approved rates because of a timing difference. Approved rates for budgetary purposes are based on an estimate prepared 12 to 18 months before the fiscal year starts. Before the beginning of the fiscal year, rates are adjusted based on the prior fiscal year's actual expenditures and usage and rate increases are presented to the Rate Committee for approval. In general, estimated rates are developed by dividing the average annual cost by the annual average usage taking into consideration variables such as new initiatives. The Office of Cost Recovery and Allocation reviews actual month-to-month expenditures for fluctuations that may require rate adjustments. DoIT has the authority to reduce rates without Rate Committee approval. Rate increases during the year, however, require Rate Committee approval.

Even though the cost-allocation methodology used to develop rates was verifiable, documentation to support detail distribution of general overhead costs from the general ledger to the cost-allocation model needs improvement. DoIT cannot ensure transparency in rate development if it does not maintain adequate documentation supporting allocated costs.

Direct and indirect costs for each service are tracked by reporting category for the cost-allocation model. To determine actual unit costs and profit and loss by service, DoIT uses

- SHARE expenditure data,
- Depreciation and SWCAP charges for each service,
- Indirect cost allocation on a percentage basis for services that provide a benefit to each individual service,
- Audited financial statements adjustments, and
- Billing system service units (usage).

According to DoIT, service units to determine unit costs do not include internal use. Instead, internal usage is absorbed by the enterprise program. With the collapse of the funds and the merging of the enterprise programs, it is expected the impact of internal usage will be easier to monitor and project so it can be factored into the unit cost.

Mainframe Rates. The FY09 rates for mainframe services for general, database, and customer information control system computer processing unit (CICS CPU) and tier 1 storage area network (SAN) storage are verifiable and based on actual costs. Based on the review of general ledger transactions, payroll and accounts payable, expenses were accurate and allocated according to the established methodology. The recalculation of the mainframe rates in the following table shows the approved rate is lower than the unit cost in all cases except one.

Table 14. FY09 Mainframe Rate Recalculation

Service	Approved Rate	Unit Cost	Approved Rate over/(under) Unit Cost
General CPU	$15.16	$16.53	($1.37)
Database CPU	$113.72	$112.66	$1.06
CICS CPU	$29.16	$30.70	($1.54)
Tier 1 SAN Storage	$3.79	$5.66	($1.87)

Source: LFC Analysis

Radio Rates. The radio communication costs are allocated in 12 different reporting categories in SHARE. Nine of the reporting categories are for direct services and are allocated at 100 percent to the radio service. Cost for network services and personal services and employee benefits are shared as part of enterprise services architecture.

The users of radio services are entities that serve in a public safety role. The table below shows the various radio service customers.

Table 15. Entities Receiving Radio Services

Schools	**State Agencies**
Bloomfield Municipal Schools	Children, Youth & Family
Farmington School. Bus System Admin. Office	Department of Correction
Federal Agencies	Department of Game and Fish
Bureau of Land Management	Department of Health,
CMI Air Patrol Headquarters	Department of Public Safety
Customs and Border Protection	Department of Public Safety
Drug Enforcement Agency	Energy, Minerals & Natural Resources Dept.
Department of Justice	Energy, Minerals & Natural Resources Dept.
DFAS-PEIFPD (DITCO BR)	N.M. Department of Transportation
FAA Southwest Region	Public Regulation Commission Fire Marshal's Office
National Park Service	**Private Company**
National Weather Service	Alltel Communications of New Mexico, Inc. (Verizon)
U.S. Customs Service	
U.S. Secret Service	

Source: DoIT

Section 9-27-15 NMSA 1978 allows DoIT to lease excess capacity relating to two-way radio services on radio communications property, building, towers, or antennas. The income from the leases shall be used to carry out the duties of the department.

DoIT leases space to federal government agencies and one private company. In determining the overall cost of radio services, DoIT decreases the expenditures by the revenue earned from the leases. Hence, for FY09, DoIT decreased the total cost for the service by $196.9 thousand the total amount billed as of June 2009. However, the actual revenue collected for the period was only $177.6 thousand. Reducing the overall expenditures by the revenue DoIT expects to receive from leased infrastructure might pose a problem if the leases are cancelled and the revenue does not materialize. To be conservative, DoIT should reduce the expenditures by no more than 80 percent of the actual revenue received the prior year. Revenue in excess of the estimated receipt can go into working capital. By using this approach, the likelihood of under collecting from the various state agencies using radio services is reduced. Additionally, the impact to the agencies will be lessened if leases are withdrawn or renewed at a lower amount. Furthermore, the amount collected or billed is more up-to-date than the lease schedule. The table below shows that using 80 percent of the billed amount is $20 thousand less than the actual collection.

Table 16. Effect of Reducing Radio Rates by Total Anticipated Federal Contracts

	Lease Schedule	Billed	Collected
Total Federal	$153,976.63		
Total Verizon	$13,200.00		
Total All Rental Leases	**$167,176.63**	**$196,882.12**	**$177,590.00**
80% of Amount	$133,741.30	$157,505.70	$142,072.00
Difference Lease Schedule to Billed	$29,705.49		
Difference Billed to Collected	($19,292.12)		
Differenced Collected to Lease Schedule	$10,413.37		

Source: LFC Analysis

The Office of Cost Recovery and Allocation does not calculate a radio rate but determines the number of units by dividing the revenue by the effective rate. The rate established in 2008 was set using the 2006 radio equipment and infrastructure inventory, but a current inventory has not been used since. The $5.4 million radio expenditures can be validated to within $91 thousand and the revenue can be validated within $20 thousand, the difference is the federal leases. The rate for each service cannot be validated or reconstructed. As shown in the table, there are differences in the number of units from the 2006 inventory to current. Additionally, the calculated units are much lower than those in the self-reported or billing inventory.

Table 17. Analysis of Billable Radio Units

	LOCAL BASE(S)	REMOTE BASE(S)	MULTI-CHANNEL CONSOLE(S)	SINGLE CHANNEL CONSOLE(S)	MOBILES	PAC_RT (1)	PORTABLE 1
Total Billed	$470,554.83	$1,898,380.63	$389,208.24	$255,035.04	$1,406,586.72	$2,159,461.80	$385,674.48
Annual Units	2,444	2,465	324	552	24,036	7,380	3,384
Calculated Units	204	205	27	46	2003	615	282
FY06 Inventory Used to Establish FY08 Rate	223	210	46	47	2104	615	225
Current Inventory Numbers	292	301	35	67	3803	1003	710
Number of DPS Officers Claimed						451	
Commissioned Officers at SP, MTD, SID, CID						668	

Source: LFC Analysis

(1) Used only by Department of Public Safety

A comparison of the self-reported inventory and the Radio Communication Bureau database for Santa Fe, Roswell, and part of Las Cruces showed that 91 percent of the self-reported inventory was in the billing database. The self-reported information contains duplicate asset numbers that can only be found if the data in 117 different spreadsheets are consolidated into a single database and analytics are performed. Although the self-reported inventory and the radio billing inventory show similar information, both lists need to be reconciled and then a single system needs to be developed and used for asset management, billing, and rate setting. The asset manager should be responsible for the inventory regardless of value. Having one asset management system that can be used for multiple purposes will reduce the need to enter data into two systems and free up 1 FTE to concentrate on other tasks.

Voice Rates. The rate for voice services requires the Office of Cost Allocation to re-distribute some of the reporting categories into lower-tiered reporting categories, such as network services that support both voice and data. The rate structure has not kept pace as technology has matured and services have converged. Instead the rates continue to be developed as though services were provided in a stovepipe, as they were 20 years ago. It is possible that with the creation of a single enterprise services program it will be easier to restructure the rates into services that are not so granular. Expenditures could be validated, but usage was not readily available to reconstruct the various voice rates.

Service Level Agreements. The 2003 Governor's Performance Review recommended that Service Level Agreements (SLAs) be executed for all enterprise services. An SLA is a master agreement that outlines all the contracted measures that the service recipient will use. Well written SLAs can help transform IT from a reactive operation to one that has clear performance objectives and measurements. Successful SLAs have one or more very clear service level objectives, define the levels of services covered by the overall agreement and defined services levels are measurable and achievable by the IT organization. Common objectives include availability, performance, meantime to repair or address an issue and accuracy. The SLA and the service catalog are used to explain the services available, the service-level options and the service rates.

Since the August 2008 LFC review, DoIT still has not established new SLAs with individual agencies and the master SLA has not been finalized. Moreover, the current draft master SLA needs improvement to conform to best practices. It does not include a problem management and disaster recovery process, detail escalation process, or define the services common to all agencies. Additionally, does not make reference to the approved rates.

The Information Technology Infrastructure Library (ITIL) is a set of best practices and guidelines that define an integrated, process-based approach for managing information technology services. It is the most widely adopted framework that stresses service quality and focuses on how IT services can be efficiently and cost-effectively provided and supported. A principle of ITIL service management is ensuring that agreed-on services are delivered according to the SLA.

DoIT made the strategic decision to formally adopt and use the ITIL methodology for IT service management and purchased IT service management software that will automate and integrate ITIL best practices. The primary purpose of service management is to ensure that IT services are aligned with business objectives. The software will assist DoIT in achieving its business objectives and support its reorganization to a service-centric organization. Adopting this methodology can

- Transform IT services into more customer-focused services.
- Better manage the quality and cost of IT services.
- More easily manage IT changes.
- Track and estimate IT resource usage.
- Make accurate performance data available.
- Improve service performance.

Reporting service performance metrics provides accountability in service delivery and an opportunity for continuous improvement. Establishing, monitoring, and reporting service-level information are only useful if the information can be used to make improvements incrementally over time or all at once. IT service management should be more than a reporting tool; it must also be used to identify and remedy process problems in service delivery.

Currently, high-level performance results are posted in a monthly dashboard on DoIT's website. The dashboard will evolve and grow as DoIT expands its performance monitoring and reporting capabilities, including key performance indicators and historical performance data for all services and processes.

Recommendations.

DoIT

- Continue to work with the federal Division of Cost Allocation and potentially avoid the need for a $3.9 million general fund appropriation.
- Use the results of the month-to-month expenditure review to assess if DoIT may have to reimburse the federal government at year-end.
- Continue working with the federal agency to persuade it to allow more flexibility in how over- and under-recovered costs are treated.
- Collapse companion rates to better align how services are delivered and charged.
- Improve processes to document the methodology and data used to set rates.
- Use a percent of the federal lease amount to set the radio rate.
- Reconcile the two inventories and move toward maintaining a single inventory for all assets that can be used for multiple purposes.
- Report defined service metrics to LFC quarterly.

PHYSICAL AND LOGICAL SECURITY

A data center is a facility used to house mission-critical computer systems and associated components. It includes environmental controls (air conditioning, fire suppression, etc.), redundant or backup power supplies, redundant Internet connections and high security. The state data center was built in 1976 on the South Capitol Campus to house the state's information technology staff and data center.

With tightening budgets and the constant drive to reduce expenditures, investing in security is sometimes difficult to justify. Yet security investments often result in cost avoidance. Some consider cost avoidance as critical as cost savings because both can impact an enterprise's bottom line. Cost avoidance can be proactive or preventive. Examples of cost avoidance include secure software design, timely software patching, complying with regulations and proper software licensing.

Physical and Logical Security. Computer security is the protection of computer systems and information (information assets) from harm, theft, and unauthorized use. In government, all agencies and employees have an obligation to work toward the adequate protection of information system assets. Information assets can be broken down into two components: physical assets - such as people, hardware, facilities, and documentation - and logical assets - such as data or information and software. Adequate security is the condition where the protection strategies for an organization's critical assets and processes are commensurate with the risk an organization is willing to assume and how much risk the organization can tolerate. Cyber security is included in physical and logical security since it is measures take to protect computer or computer systems against unauthorized access or attacks.

Internal Building Security and Policies. Best practices require an organization to have audit policies for physical security and a security awareness program. DoIT has implemented a practice for granting access to employees to the data center based on responsibilities, to visitors based on the purpose of the visit and with escorts, and to contractors based on specific requirements and with escorts in highly secured areas, such as the server room. The policy includes a process for handling transferred or terminated employees and allows tailgating during emergencies.

Tailgating is the practice where an unauthorized employee or contractor follows an authorized employee into a highly secured area. The authorized employee or contractor must meet the dual authentication requirement (badge and finger print scans) to enter and exit the data center. Entrances and exits are recorded by security cameras. If authorized individuals do not use their badge to get in and out of the data center, the security system captures the infraction, the security guard notes the infraction, and reminds the authorized person of the policy. If the person violates the policy a second time, access is terminated and his or her chief information officer notified.

Piggybacking is the practice of following other employees into secured areas without using an assigned badge. Although DoIT does have an internal physical access policy requiring employees to use a badge even if they are part of a larger group of employees entering secured areas, observation of employee practice over three months shows that not all employees actually comply.

Building Access. A review of 383 active security badges to access various parts of the Simms Building on a need-to-do, need-to-know basis found that 41 percent are DoIT employees and the rest are employed at 20 other state agencies. The greatest percentage of the non-DoIT employees are from GSD (25 percent). Ninety-five GSD employees have badge access into various parts of the building even though the GSD secretary and human resource offices are on the first floor directly behind the security guard station.

Nine employees with active badges were no longer state employees. Three were DoIT employees. The badges were inactivated as part of the review. The access for the three DoIT employees should have been terminated immediately on destruction of the returned badge or retirement.

DoIT employs guards to physically secure the data center, but the DoIT Act does not require security officers to undergo background checks. The law only requires background checks on employees with administrative access or authority to sensitive, confidential, or private information or the ability to alter systems, networks, or other information technology hardware or software.

Adequacy of Data Center Facility. The *Simms Computer Building Facility Planning Report* prepared by Bridgers and Paxton Consulting Engineers, dated July 25, 2006, found numerous deficiencies in the data center that needed to be corrected to continue as a reliable and viable facility. A best practice in data center construction is a secure, reliable, and viable data center with the qualities shown in the table below. Also in the table are noted those qualities with which the state's data center currently complies or on which DoIT is working toward meeting compliance.

Table 18. Data Center Security Best Practices

Data Center Best Practice Quality	State Data Center Compliance
Located away from airports, busy thoroughfares, railroad tracks, chemical plants, flood zone, downtown, no multi-tenant facility	Non-Compliant
Redundant Utility Access (telecommunications, electricity, water)	Compliant
Power distribution (capacity to accommodate growth, ups, generators)	Compliant
Windowless (bunker not office building)	Partially Compliant
Remove signs designating as the data center	Compliant (Internet sites for the state and vendors clearly identify the facility as the state's data center)
Limit entry points to building (main entrance and appropriate loading area)	Partially Compliant. In process to bring up to compliance.
Cooling	Compliant
Fire detection and suppression	Compliant
External barriers (trees, boulders, planters ~100 foot barrier around the facility	Partially Compliant
Parking facility away from data center (no under or attached garages)	Partially Compliant (natural and manmade barriers provide some space between the building and the parking lot). In process to redesign the parking.
Fire doors designated exit only	Compliant
Trained reputable security organizations (if outsourced, if internal background checks)	Internal staff, Compliant
Video cameras (perimeter, all entry points into the building and into the data center, monitor cameras (record and store)	Compliant (may need additional cameras). Reassessment is in process.
Protect data center external machinery (generator, cooling, etc)	Partially Compliant
Layered physical security (security guard, separate visitors and employees, assign ID, escort visitors, two-factor authentication or biometrics, mantraps)	Partially Compliant. In process to become fully compliant

Source: Global Information Assurance Certification and LFC Analysis

In 1976 when the building was first built, it is possible the facility complied with all the best practices described. However, over the past 34 years, external activity around the facility has increased. The activity includes the construction of the Rail Runner train station directly across the street from the Simms building and has transformed the location into a high-traffic area. In addition, creation of the new department dedicated to information and telecommunication services in 2007 and the split from GSD has transformed the state's data center into a multi-tenant facility (DoIT and GSD), which is in contravention of best practices. Further, it does not appear that DOT considered the physical security of the data center when it built the Rail Runner station across from the building.

A walkthrough of perimeter security shows that the data center may still have a couple of blind spots. The blind spots may not pose an immediate security issue; however, as DoIT reassesses perimeter security it should consider adding cameras.

Although the ideal is to move the state's data center to a location away from high traffic areas, building a new data center is not planned any time soon, so DoIT and GSD will have to implement interim solutions to secure the data center's perimeter and building

Security Policy, Rule and Incidents. In December 2009, DoIT implemented a comprehensive security policy that was developed in coordination with state agency CIOs. In March 2010, DoIT proposed a security rule and asked that it be approved as an emergency because of security incidents. DoIT's security office is responsible for overseeing and assisting with the implementation of the rule. Agencies are responsible for the adoption and implementation of the rule. As part of the security policy and rule, DoIT developed a form for agencies to report security incidents, including the type of incident and the classification of data or records affected. The security rule does not require agencies to report security incidents to the DoIT security officer. It only requires them to have "documented incident management procedures." The policy requires only reporting internal to the agency and not to DoIT. Although the rule and the policy do not require agencies to report security incidents, DoIT has been tracking security incidents since FY08 with tools it uses and through its security partners.

The Office of Security promotes security awareness through newsletters, monthly security user group meetings, and training opportunities.

Use of Unsecured Smart Phones. DoIT provides e-mail service to 60 executive branch agencies and one judicial branch agency. The legislative and judicial branches have their own e-mail systems as do the offices of three elected officials and the 17 institutions of higher education. DoIT also provides BlackBerry connectivity to the state e-mail system for $10.29 per month. DoIT does not support other smart phones, a mobile phone that offers more advanced computing ability and connectivity than a basic mobile telephone. The e-mail access reports show that 592 unsupported smart phones are accessing the state's e-mail system, along with 973 supported BlackBerry phones. The table below shows the agencies, including DoIT that use Verizon-issued and DoIT unsupported smart phones. Employees using a personal smart phone blur the line between private communications and public communications. Although DoIT claims to support PDAs in its catalog of services, PDAs are not as tightly controlled as BlackBerries and DoIT does not charge for their use.

Table 19. Agencies Contracting for Verizon Smart Phones and Number of Phones

Agency	Count	Agency	Count
Taxation and Revenue	46	Indian Affairs Department	1
State Investment Council	2	Aging and Long-Term Services Department	9
Retiree Healthcare Authority	4	Human Services Department	58
General Services Department	9	Workforce Solutions Department	1
Educational Retirement Board	2	Workers' Compensation Administration	1
Department of Information Technology	13	Division of Vocational Rehabilitation	1
State Treasurer Office	2	Developmental Disabilities Planning Council	6
Tourism Department	6	Department of Health	41
Regulation and Licensing Department	1	Department of Environment	10
Public Regulation Commission	5	Children, Youth and Families Department	26
State Fair	1	Department of Military Affairs	1
Gaming Control Board	4	Corrections Department	17
Spaceport Authority	2	Department of Public Safety	5
Cultural Affairs Department	1	Homeland Security	20
Game and Fish Department	6	Department of Transportation	90
Energy Minerals Natural Resources Department	9	Higher Education Department	24
Commission on the status of Women	1		
Total Smart phones at State Agencies 425			

Source: Verizon Wireless

Agencies using smart phones other than the BlackBerries with e-mail connectivity are potentially connecting to the state's e-mail system insecurely and are receiving services without paying for them. DoIT is losing $6,091 per month or $73 thousand per year. The e-mail staff can see the device connecting to the e-mail system, but cannot pinpoint which e-mail box it is accessing. According to Gartner, an industry leader in technology analysis, the BlackBerry is designed to be secure. According to Gartner, smart phones do not rely on the telecommunication carrier to enforce basic policy management or account enforcement. Gartner recommends that IT departments exercise control over device enrollment to ensure that only authorized devices can access company e-mail. Users of smart phones should be required to electronically verify the model and version of the phone before connecting to the state's e-mail server and network. Requiring the user to authenticate (electronically providing proof of who they are) will allow DoIT to control connectivity to the e-mail system to authorized phones.

Mainframe User Accounts. A review of mainframe user accounts showed that about 50 percent of the Taxation and Revenue Department (TRD) accounts, 30 percent of the Human Services Department (HSD) accounts, and 18 percent of the Public Regulation Commission (PRC) accounts are for staff no longer at the agency. Although not removing accounts does not incur an expense, it does potentially expose the agencies to unauthorized access to critical agency data, such as driver and vehicle records, income and child support records, and corporation records that could be altered without the knowledge of the agency. Even though accounts are suspended after 30 days of inactivity, the percentages discussed above are not suspended, which may indicate the accounts are being used by someone. DoIT has a contract to help clean up dormant accounts (no activity after 30 days).

An analysis of the three selected agencies found that 35 percent of the TRD accounts could not be matched to an employee on the January 2010 Organizational Listing (TOOL), 5 percent of the accounts were for generic use or assigned to contractors, 3 percent were duplicate accounts, and 57 percent were matched to a current employee or a system process. Accounts that remain active for employees or contractors who are no longer working for TRD pose a potential risk of unauthorized access to the motor vehicle system. Use of generic accounts by multiple people prevents the agency from knowing with certainty which employee changed a record because individual users are not required to authenticate using a unique user name and password. The name on the mainframe account list is not always a one-to-one match with the name in the TOOL. TRD staff identified duplicate accounts, inactive users with accounts or computer processes no longer used that need to be suspended.

At HSD 64 percent of the total could be matched to a current employee, 202 accounts or 9 percent, were duplicate accounts, 25 percent could not be matched to a current employee, and 3 percent were generic accounts. HSD's security officer cleaned up all the mainframe accounts using information provided during this review. She is also in the process of finalizing the implementation of the agency's security policies to, among other things, ensure accounts no longer needed are timely disabled. HSD requires use of a user access form to activate and deactivate users, but more training of staff and partners is required.

PRC is decommissioning its corporation system and implementing a home-grown system in July 2010.

Recommendations

DoIT:

- Re-educate employees on the importance of using assigned badges to enter secured areas even when in the company of other DoIT employees.
- Consider training security guards to visually inspect electronic reports showing employees entering areas within the building where a badge was not initially used to enter the area.
- Modify the security access form to include a termination section that DoIT or agency human resource office is required to complete on termination.
- Consider amending the law on background checks to include security guards.
- Work with DOT to restrict access on the street between the Rail Runner station and the Simms building.
- Restrict the parking area between the Simms building and the Rail Runner station to data center staff and visitors.
- Relocate the Rail Runner parking to the street closer to the DOT.
- Use large landscaping boulders or decorative planters to provide additional external barriers.
- Remove information about the building from websites such as www.reedconstructiondata.com.
- Secure windows, especially those on the ground floor.
- Relocate the remaining GSD employees to other state-owned buildings, and restrict access to the building to DoIT-related business.
- Complete the recommendation of the July 2006 engineering report.
- Reassess perimeter security and add cameras, if necessary.
- Amend the security policy and rule to require agencies to report security incidents to DoIT.
- Consider hardening the BlackBerry enterprise server platform during the e-mail upgrade to prevent tampering with the settings and device encryption keys.
- Do not allow insecure or rogue devices to connect to the state's e-mail system.
- Align the Verizon contract with e-mail supported smart phones.

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
CONSOLIDATION					
1	Include all telecommunication initiatives into the broadband plan, including e-911.	Y	2	Planned	
2	Work with DFA Local Government Division to plan and operate a comprehensive public safety network using state-owned infrastructure.	Y	2	Planned	Will be driven by FCC plans and funding.
3	Work toward the full physical and budgetary consolidation of SHARE technical staff to improve overall technical support.	Y	2	In Progress	Staffs are in process of being co-located at the Pino building. Budget is still separate.
4	Move the remaining production servers to the DoIT data center, plan on providing development and test environments to agencies so that agency data centers can be closed. Request information from agencies on savings realized by closing down data centers, reducing the number of servers, and migrating administration to DoIT.	Y	1	In Progress	Health, DWS, DOT and Corrections are in the process.
5	Adopt efficiency standards for the data center, including industry-recommended equipment and energy-efficiency standards.	Y	3	Planned	
6	Define virtualized and cloud computing services, including how and who will have access, policy on commissioning and de-commissioning services, a short-term shared services policy for agencies reluctant to migrate equipment, and applications to the data center.	Y	1	In Progress	Plan to test with DoIT applications first and then selected agency applications during FY11.
7	Ensure adequate security is in place before deploying virtualized or cloud computing services.	Y	1	Planned	Will be addressed and tested along with item #6 above.
8	Include a data center efficiency and capacity metric in the agency performance measures.	Y	3	Not Started	

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
9	Work with GSD - Property Control Division to assess the value of converting alternating current to direct current electricity.	Y	3	Not Started	
10	Continue educating agencies on the need for technical security and reporting.	Y	1	In Progress	7 Classes given in FY10, more planned in FY11.
11	Reduce the number of agency-level CIOs by at least five and revamp the reporting structure.	N	3		Reporting structure to be reviewed but number of CIOs should remain.
12	Assess agency IT staff and identify those that can be moved to the enterprise data center to provide enterprise-level support.	Y	2	Not Started	Value Enhancement/Cost Savings task force has this under consideration.
13	Clearly define a strategy to reduce or eliminate positions that does not include wholesale across the board cuts.	Y	3	Not Started	
IMPACT OF HIRING FREEZE ON SERVICE DELIVERY					
14	Fill at least half of the vacant positions to ensure sufficient state staff to provide services and reduce overtime and on-call/standby by 50 percent and contractual services by at least 20 percent.	Y	2	In Progress	DoIT is planning on filling vacancies in a prioritized manner. DoIT is also analyzing and planning on reducing the amount of overtime and on-call/standby, however, this may not amount to 50%. Lastly, DoIT will analyze contractual services to determine the amount of possible reductions.
15	After vacant positions are filled and staff is trained to support the service to which they are assigned, encourage the use of annual leave and comp-time earned to reduce it by 50 percent.	Y	3	Not Started	

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
EXPENDITURES AND ACCOUNTS RECEIVABLE					
Data Center and Telecommunication Services Expenditure Analysis					
16	Consider changing the statutory name of fund 20310 from the central telephone services fund to one that better describes its purpose and use.	Y	3	Planned	DoIT will request a statutory name change for fund 20310 from the Central Telephone Services Fund to the Enterprise Services Funds during the 2011 legislative session to better reflect the funds purpose and use.
17	In the next two years, consider eliminating the SHARE fund and collapse it into the enterprise services fund as there is no reason to maintain SHARE as a separate enterprise service.	Y	3	Not Started	DoIT will study the feasibility of absorbing the SHARE fund into the enterprise. The optimal time to make such change a change may be during the FY12 appropriation request.
18	Physically locate all SHARE technical staff at the DoIT data center facility.	N	2	In Progress	To be located at the Pino building
19	Formulate an action plan that includes identifying telecommunication staff that will be responsible for reviewing and approving telecommunication vendor invoices, training the staff, and develop a timeline in which to transition the responsibilities to the telecommunications staff.	Y	1	In Progress	The Accounts Payables staff at DoIT has provided training to telecommunications staff on the procedure required to process encumbrances and process invoices relating to telecommunications invoices. ASD will continue to monitor the process and assist in the transition by providing training and administrative oversight of the purchasing and accounts payable processes.

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
20	Require the large telecommunication vendors to submit electronic invoices that can be compared to the inventory of active telephone numbers and contract terms.	Y	1	In Progress	DoIT currently receives the wireless invoice electronically. DoIT will work with it's other service providers to streamline their invoicing which should be compared to active inventory prior to paying invoices to telecommunication providers
Collection and Accuracy of Accounts Receivable					
21	Identify cost saving measures that will reduce internal usage and potentially reduce overall service rates.	Y	2	Not Started	DoIT will review each service delivery and identify savings and implement measures that may reduce cost of providing a service and/or provide better quality of service for the costs incurred. Email and SHARE use of new storage capabilities will reduce cost.
22	Require billing and telecommunication staff to address the unknown/unidentified account so that the appropriate entity can be properly charged for the service it is receiving. If available research means it cannot identify the user of the telephone/data account, then agencies should be notified that the numbers on the list will be deactivated within 30 days, allowing agencies sufficient time to review the list and claim the number.	Y	2	Not Started	The billing staff will work with the communications staff to address the unknown/unidentified account and process the necessary change to the monthly invoices/billings
23	Train staff on how rates are constructed and what each includes and appoint a single point-of-contact for agencies.	Y	2	Not Started	Focus is on simplifying the rate and billing structure. The new organization structure will focus this with the Service Manager.
24	Improve communication and collaboration among internal staff.	Y	1	In Progress	Multiple efforts in process.

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
25	Post the accounts receivable data timely to the SHARE general ledger and reconcile the subsidiary and SHARE general ledger monthly.	Y	1	In Progress	The CFO will monitor on a monthly basis the billing and the booking of the accounts receivable on SHARE general ledger as well as on the subsidiary ledgers. The CFO will meet with the Financial Manager to ensure the timely and accurate posting of entries.
26	Provide additional reconciliation training to staff and review the reconciliations periodically to ensure compliance with the approved reconciliation procedures.	Y	1	In Progress	Reconciliation training will continue and the A/R staff will present the status of reconciliations on a monthly basis.
27	Monitor past due accounts and conduct monthly follow-up with agencies to resolved unpaid accounts.	Y	1	In Progress	The accounts receivable staff will run month end reports and report the information to the CFO. The CFO will report the A/R balance to senior staff. DoIT will follow up with agencies to resolve unpaid accounts and/or disputes. In addition, when agencies are requesting new services the agencies will be notified of the status of their accounts receivable and the accounts must be brought current prior to buying additional services

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
28	Develop a dispute policy that includes definitions, identifies adequate and acceptable supporting documentation, identifies who is responsible for reviewing and addressing the disputed account and from whom disputes will be accepted, and establishes an escalation process for unresolved disputes.	Y	1	In Progress	DoIT will finalize the DRAFT credit policy and procedure to include dispute definitions, acceptable support documentation, contact information and an escalation process for unresolved disputes. In addition DoIT will work with DFA and with the agencies to ensure timely payment for services rendered.
29	Consider developing an administrative rule in coordination with DFA to define the requirements and processes for collecting outstanding balances older than 30 days authorized in Section 9-27-6E NMSA 1978.	Y	2	Not Started	DoIT's CFO and legal council will collaborate with DFA to write a rule the will define and reflect the legislative intent of the statute
Billing Accuracy and Agency Monitoring Process					
30	Revise invoices to include correct server names, applications, database, and websites.	Y	1	Planned	Will be provided in invoice detail upon full implementation of new billing system planned for end of December 2010
31	Implement an outreach program to inform agencies about its services, cost of services, how to read invoices for services, and the proper process to dispute charges for services.	Y	2	Not Started	Dependent upon new billing system planned for December 2010 implementation
32	Consider conducting training sessions each year before the rates take effect.	Y	3	Not Started	
INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS RATES					
33	Continue to work with the federal Division of Cost Allocation and potentially avoid the need for a $3.9 million general fund appropriation.	Y	1	In Progress	DoIT and DFA have agreed on a strategy for removing this risk. Details have been submitted to DFA for submission to the Federal group.

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
34	Use the results of the month-to-month expenditure review to assess if DoIT may have to reimburse the federal government at year-end.	Y	1	In Progress	Will include a quarterly P/L evaluation.
35	Continue working with the federal agency to persuade it to allow more flexibility in how over- and under-recovered costs are treated.	Y	2	Planned	Completed analysis last year on options and alternatives.
36	Collapse companion rates to better align how services are delivered and charged.	Y	2	Planned	
37	Improve processes to document the methodology and data used to set rates.	Y	1	In Progress	
38	Use a percent of the federal lease amount to set the radio rate.	Y	2	In Progress	DoIT does factor in the revenues from the federal leases before determining the unit costs of the remaining radio services.
39	Reconcile the two inventories and move toward maintaining a single inventory for all assets that can be used for multiple purposes.	Y	2	Planned	
40	Report defined service metrics to LFC quarterly.	Y	2	Completed	DoIT has defined service metrics and developed a monthly performance dashboard which is available on the DoIT website.
PHYSICAL AND LOGICAL SECURITY					
41	Re-educate employees on the importance of using assigned badges to enter secured areas even when in the company of other DoIT employees.	Y	1	In Progress	
42	Consider training security guards to visually inspect electronic reports showing employees entering areas within the building where a badge was not initially used to enter the area.	Y	1	Planned	
43	Modify the security access form to include a termination section that DoIT or agency human resource office is required to complete on termination.	Y	1	Planned	

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
44	Consider amending the law on background checks to include security guards.	Y	1	Planned	DoIT will draft proposed legislation for the upcoming session.
45	Work with DOT to restrict access on the street between the Rail Runner station and the Simms building.	Y	3	Not Started	
46	Restrict the parking area between the Simms building and the Rail Runner station to data center staff and visitors.	Y	3	Not Started	DoIT will need to coordinate with DOT and GSD.
47	Relocate the Rail Runner parking to the street closer to the DOT.	Y	3	Not Started	DoIT will need to coordinate with DOT and GSD.
48	Use large landscaping boulders or decorative planters to provide additional external barriers.	Y	2	In Progress	DoIT will continue its progress of placing external barriers around the building.
49	Remove information about the building from websites such as www.reedconstructiondata.com.	Y	2	In Progress	Contacted GSD to assist on getting some information of the website.
50	Secure windows, especially those on the ground floor.	Y	1	In Progress	
51	Relocate the remaining GSD employees to other state-owned buildings, and restrict access to the building to DoIT-related business.	Y	2	Not Started	DoIT will continue to work with GSD on location of staff.
52	Complete the recommendation of the July 2006 engineering report.	Y	1	Completed	DoIT has addressed all major recommendations in the 2006 engineering report. DoIT will continue to align the data center with industry best practices.
53	Reassess perimeter security and add cameras, if necessary.	Y	1	Planned	
54	Amend the security policy and rule to require agencies to report security incidents to DoIT.	Y	1	Not Started	Agencies are reporting to DoIT but need rule change.

No.	Recommendation	Agreement (Y/N)	Priority (1-3)	Status	Comments
55	Consider hardening the BlackBerry enterprise server platform during the e-mail upgrade to prevent tampering with the settings and device encryption keys.	Y	1	In Progress	As part of the email system upgrade, DoIT will evaluate security of BlackBerry's and BlackBerry server to ensure secure and appropriate usage.
56	Do not allow insecure or rogue devices to connect to the state's e-mail system.	Y	1	Planned	
57	Align the Verizon contract with e-mail supported smart phones.	Y	2	Completed	

DoIT Projects
(in thousands)

Project	Start Date	End Date	Appropriation Amount	Expended Amount	Laws
SHARE Data Archiving (1)	Jun-10	Oct-10		$978.6	
SHARE Incremental Licensing and Critical Issues (e-Procurement)	Nov-09	Sep-10	$935.0	$58.2	2008: Chapter 3, Sec. 7(10); 2009: Chapter 124, Sec. 7 (4)
SHARE Streamline Banking	Nov-09	Oct-10	$240.0	$95.3	2008: Chapter 3, Sec. 7 (10); 2009, Chapter 124, Sec. 7 (5)
SHARE Disaster Recovery	Apr-09	Oct-10	$1,700.0	$1,065.5	2009, Chapter 125, Sec. 27 (3)
Core Telecommunications Upgrade	Jun-09	Dec-10	$800.0	$201.1	2009, Chapter 125, Sec. 27 (4)
Data Center Equipment and Network Upgrade(IT Consolidation)	Jun-09	Jun-10	$900.0	$638.0	2009, Chapter 125, Sec. 27 (1)
Trusted Network	Apr-09	Sep-10	$1,500.0	$1,086.5	2007: Chapter 28, Sec 7 (11); 2008, Chapter 3, Sec. 7 (14) extended through FY10.
E-mail Upgrade			$2,100.0		2009: Chapter 125, Sec. 27 (2)
Enterprise IT Asset Management System(2)	Jun-09	Jun-10			
Enterprise IT Service Management System(2)	Jun-09	Jun-10			
CIMS Billing System Upgrade (IT Service Accounting)(1)	May-09	Sep-10		$20.1	
Enterprise SharePoint(1)	May-09	Jun-10		$116.4	
Virtual Servers for Application Hosting(1)	May-09	Jun-10		$1,614.7	
WIRE New Mexico: Analog to Digital Conversion	Apr-09	Jun-15	$1,000.0	$39.9	2009, Chapter 125, Sec. 27 (6)
			$2,000.0	$726.7	2007: Chapter 28, Sec. 7 (10); 2008, Chapter 3, Sec. 7 (15) extended through FY10.
WIRE New Mexico Statewide Broadband Capabilities	Apr-09	May-10	$4,800.0	$534.5	2006: Chapter 109, Sec. 7(6) and extended in subsequent years; 2010, Chapter 6, Sec. 7 (7) re-appropriated
Telephone system upgrades (PBX and switches)			$900.0		2009: Chapter 125, Sec. 27(5)
Mainframe - DB2 V8 Upgrade(1)	Apr-09	Mar-10		$92.3	
Total			**$16,875.0**	**$7,267.8**	

Source: DoIT and FY10 CAFR Budget Status

(1) Operating budget; expended amounts are not audited.
(2) Included in Trusted Network project

FCC Master PSAP Registry

PSAP ID	PSAP Name	State	County	City
4893	Acoma Pueblo Tribal Police Department	NM	Cibola	Acoma Pueblo
4894	Alamogordo Department Of Public Safety	NM	Otero	Alamogordo
4895	Albuquerque Fire Department	NM	Bernalillo	Albuquerque
4896	Albuquerque Police Department	NM	Bernalillo	Albuquerque
4897	Artesia Fire Department	NM	Eddy	Artesia
4898	Artesia Police Department	NM	Eddy	Artesia
4899	Belen Police Department	NM	Valencia	Belen
4900	Bernalillo Communications Center	NM	Bernalillo	Albuquerque
4901	Bernalillo Police Department	NM	Sandoval	Bernalillo
4902	BIA Law Enforcement-northern Pueblos Agency	NM	Rio Arriba	Espanola
4903	Cannon Air Force Base Fire Department	NM	De Baca	Cannon Air Force Base
4904	Carlsbad Police Department	NM	Eddy	Carlsbad
4905	Catron County Sheriff's Department	NM	Catron	Reserve
4907	Cibola County Sheriff	NM	Cibola	Grants
4908	Clayton Police Department	NM	Union	Clayton
4909	Clovis Police Department	NM	Curry	Clovis
4910	Corrales Village Police Department	NM	Sandoval	Corrales
4911	De Baca County Sheriff's Office	NM	De Baca	Ft Sumner
4912	Eddy County Central Communications Authority	NM	Eddy	Carlsbad
4913	Espanola-Rio Arriba 9-1-1 Center	NM	Rio Arriba	Espanola
4914	Eunice Police Department	NM	Lea	Eunice
4915	Grant County Regional Dispatch	NM	Grant	Silver City
4916	Grants Police Department	NM	Cibola	Grants
8184	Guadalupe County Emergency Communications	NM	Guadalupe	Santa Rosa
4917	Hatch Police Department	NM	Dona Ana	Hatch
4918	Hidalgo County Sheriff's Office	NM	Hidalgo	Lordsburg
4919	Hobbs Police And Fire	NM	Lea	Hobbs
4920	Holloman Air Force Base Police	NM	Otero	Holloman AFB
4921	Isleta Pueblo Tribal Police Department	NM	Bernalillo	Isleta
4922	Jal Police Department	NM	Lea	Jal
4923	Jicarilla Apache Nation Police Department	NM	Rio Arriba	Dulce
4924	Kirtland AFB Fire Department	NM	Bernalillo	Albuquerque
4925	Kirtland AFB Police Department	NM	Bernalillo	Albuquerque
4926	Las Vegas City Police Department	NM	San Miguel	Las Vegas
4927	Lea County Sheriff	NM	Lea	Lovington
4928	Lincoln County Sheriff's Department	NM	Lincoln	Carrizozo
4929	Los Alamos County Communications	NM	Los Alamos	Los Alamos
4930	Los Alamos National Laboratory-ptla	NM	Los Alamos	Los Alamos Orphaned PSAP no longer considered a primary call taking answering point. Refrain from using these in future filings.
4931	Los Lunas Police Department	NM	Valencia	Los Lunas
4932	Lovington Police Department	NM	Lea	Lovington
4933	Luna County Central Dispatch	NM	Luna	Deming
4934	McKinley County Sheriff	NM	McKinley	Gallup

FCC Master PSAP Registry

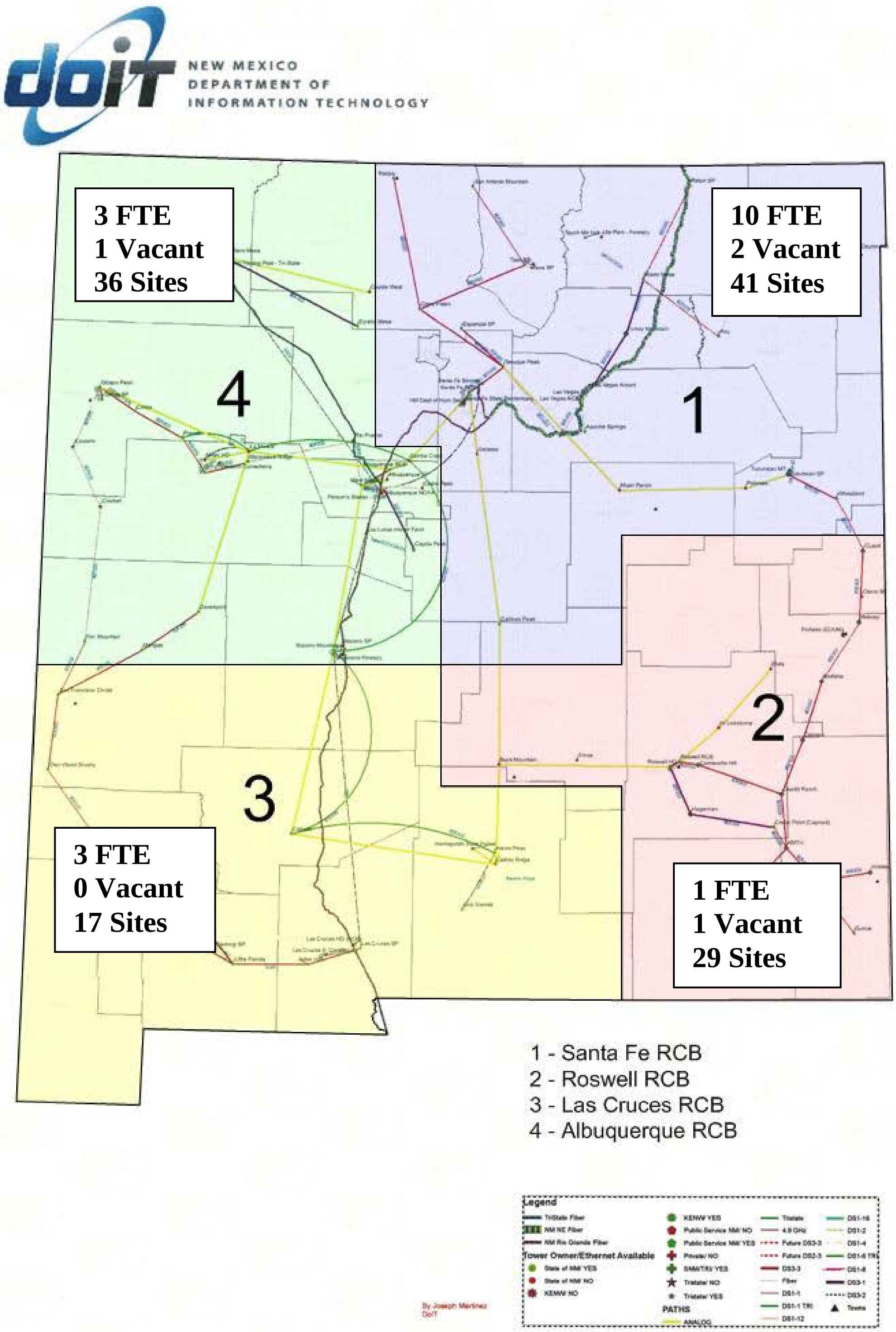
PSAP ID	PSAP Name	State	County	City
4935	McKinley Metro Dispatch	NM	McKinley	Gallup
4936	Mescalero Apache Tribal Police	NM	Otero	Mescalero
4937	Mesilla Valley Regional Dispatch Authority	NM	Dona Ana	Las Cruces
4938	Milan Police Department	NM	Cibola	Milan
4939	Mora County Sheriff	NM	Mora	Mora
4940	Navajo Department Of Law Enforcement-Crownpoint District	NM	McKinley	Crownpoint
4941	Navajo Department Of Law Enforcement-Shiprock District	NM	San Juan	Shiprock
4974	New Mexico State Police-district 2	NM	San Miguel	Las Vegas
4942	Otero County Sheriff's Office	NM	Otero	Alamogordo
4906	Pecos Valley Regional Communications Center	NM	Chaves	Roswell
4943	Picuris Pueblo Tribal Police Department	NM	Taos	Penasco
4944	Pojoaque Tribal Police Department	NM	Santa Fe	Pojoaque
4945	Portales Police Department	NM	Roosevelt	Portales
4946	Pueblo Of Laguna Police Department	NM	Cibola	Laguna
4947	Quay County Regional Emergency Communications Center	NM	Quay	Tucumcari
4948	Ramah Navajo Police Department	NM	McKinley	Ramah
4949	Raton Fire And Emergency Services	NM	Colfax	Raton
4950	Raton Police Department	NM	Colfax	Raton
4951	Red River Marshals Office	NM	Taos	Red River
4952	Rio Rancho Department Of Public Safety	NM	Sandoval	Rio Rancho
4953	Roswell Police Department	NM	Chaves	Roswell
4954	Ruidoso Downs Police Department	NM	Lincoln	Ruidoso Downs
4955	Ruidoso Police Department	NM	Lincoln	Ruidoso
4956	San Juan County Communications Authority Board	NM	San Juan	Aztec
4957	San Juan Pueblo Tribal Police Department	NM	Rio Arriba	San Juan Pueblo
4958	San Miguel County Sheriff	NM	San Miguel	Las Vegas
4959	Sandia Pueblo Tribal Police Department	NM	Bernalillo	Bernalillo
4960	Sandoval County Regional Emergency Communications Center	NM	Sandoval	Bernalillo
4961	Santa Ana Pueblo Tribal Police Department	NM	Sandoval	Santa Ana Pueblo
4962	Santa Clara Pueblo Tribal Police Department	NM	Rio Arriba	Santa Clara Pueblo
4963	Santa Fe County Sheriff	NM	Santa Fe	Santa Fe
4964	Santa Fe Dispatch Center	NM	Santa Fe	Santa Fe
4965	Santa Fe Regional Emergency Communications Center	NM	Santa Fe	Santa Fe
4966	Santa Rosa Police Department	NM	Guadalupe	Santa Rosa
4967	Sierra County Regional Dispatch Authority	NM	Sierra	Truth or Consequences
4968	Silver City Police Department	NM	Grant	Silver City
4969	Socorro Police Department	NM	Socorro	Socorro
4970	State Police-Albuquerque	NM	Bernalillo	Albuquerque
4971	State Police-Espanola	NM	Rio Arriba	Espanola
4972	State Police-Gallup	NM	McKinley	Gallup
4973	State Police-Las Cruces	NM	Dona Ana	Las Cruces
4975	State Police-Roswell District 3	NM	Chaves	Roswell
4976	State Police-Santa Fe	NM	Santa Fe	Santa Fe
4977	State Police-Socorro	NM	Socorro	Socorro
4978	State Police-Tucumcari	NM	Quay	Tucumcari
4979	Sunland Park Police Department	NM	Dona Ana	Sunland Park
4980	Taos Central Communications	NM	Taos	Taos
4981	Taos County	NM	Taos	Taos

FCC Master PSAP Registry

PSAP ID	PSAP Name	State	County	City
4982	Taos Pueblo Tribal Police Department	NM	Taos	Taos Pueblo
4983	Tatum Police Department	NM	Lea	Tatum
4984	Tesuque Pueblo Tribal Police Department	NM	Santa Fe	Tesuque
4985	Torrance County 9-1-1	NM	Torrance	McIntosh
4986	Tucumcari Police Department	NM	Quay	Tucumcari
4987	UNM Police Department	NM	Bernalillo	Albuquerque
4988	Valencia County E-911 Regional Emergency Communications Center	NM	Valencia	Los Lunas
4989	Zuni Tribal Police Department	NM	McKinley	Zuni

Source: FCC Master PSAP Registry, June 24, 2010

Radio Sites Map and FTE Available to Support the Stes



Comparison of Federal Balances to Profit and Loss

Billed Services	Federal Balances FY05 – FY09 cumulative	Profit and (Loss) FYE 6/30/09
SY – General CPU	($3,233,255)	($319, 806)
SY – Database CPU	($3,630,173)	$44,194
SY – CICS CPU	$1,057,551	($58,956)
SY – Disk Occupancy	$2,961,476	($28,516)
SY – Tape Occupancy	$305,989	($446,424)
OP – Print Pages	($1,820,893)	($269,396)
OP – Window Server Dedicated	($131,472)	($158,771)
DM – Tier 1 SAN Storage	($588,794)	($138,578)
DM – Tier2 SAN Storage	($130,380)	$72,165
DM – Storage Server Fee	($148,393)	($17,514)
DM – Open Systems Backup	($505,925)	($46,504)
DS – Rack Unit Fee	$110,825	$46,482
DS – Windows Server System Administration	($605,230)	($41,105)
EM – Mailbox Fee	($1,382,273)	($121,421)
EM – Blackberry Service	$22,081	($3,258)
EA – File and Print Service	($516,130)	$24,536
EA – Agency Application Systems Maintenance	($1,835,039)	($11,135)
EA – Web Hosting Fee	($215,901)	$299,482
Total	**($10,285,936)**	**($1,174,527)**

Source: DFA and DoIT