

**DEPARTMENT OF INFORMATION TECHNOLOGY
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**



AUDIT SUMMARY

Our audit of the Department of Information Technology for the year ended June 30, 1999, found:

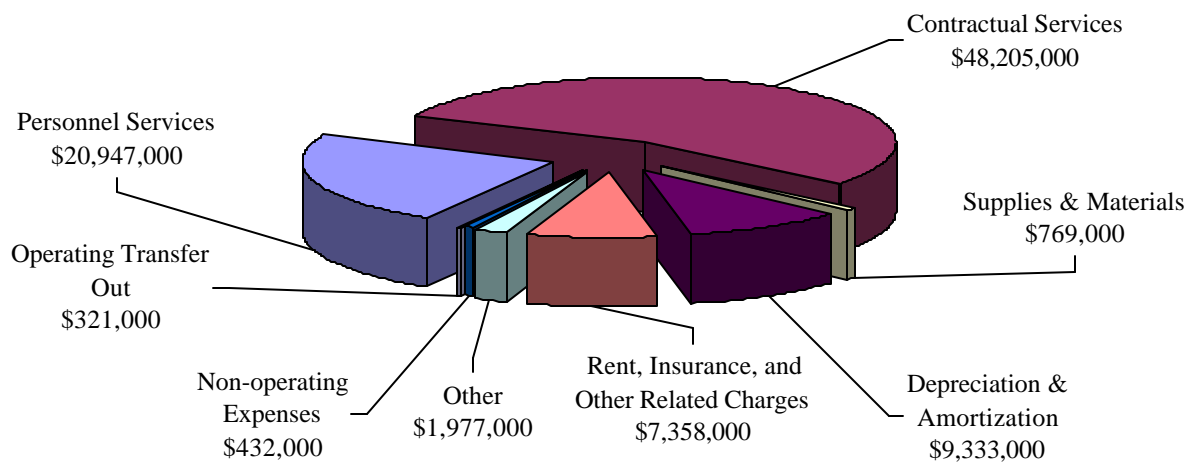
- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in the internal control structure; and
- no instances of noncompliance that are required to be reported.

Agency Information

The Department of Information Technology helps other agencies and institutions within the Commonwealth meet their information technology needs. The Department provides four main types of services to its customers: Telecommunications, Computer Services, Systems Development, and Teleconferencing.

The Telecommunications division coordinates requests for installation of telephone service between customer and vendor. It also processes service orders and monitors the billing for services. Computer Services provides the use of its IBM and Unisys mainframes to state agencies and institutions for data processing. Systems Development provides design, programming, consulting, and maintenance services for information systems used by the Commonwealth. The Teleconferencing unit provides audio and video teleconferencing services and can arrange satellite services for state agencies and institutions. Each of these four areas classifies revenues as cost recoveries in an internal service fund. During fiscal year 1999, the Department collected over \$91 million in revenues through these funds to cover its expenses.

Operating Expenses for the Fiscal Year Ended June 30, 1999



Retained Earnings at June 30, 1999 totaled \$23.1 million, up from \$18.7 at June 30, 1999. Additionally, during this fiscal year, the Department transferred its general fund appropriations, used to fund public television projects, to the Virginia Public Broadcasting Board. The Department no longer has any general fund activity.

May 20, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

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

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Information Technology** for the year ended June 30, 1999. We conducted our audit in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

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

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

- Expenses
- Revenues
- Fixed Assets

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

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

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

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial records on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

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

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

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

AUDITOR OF PUBLIC ACCOUNTS

JBS:aom
aom:

Department of Information Technology
Richmond, Virginia

Michael E. Thomas
Director