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**A Review of the Expenses Related to the  
Contract for Services that the Department of Agriculture has through the  
Department of Information Resources with the Austin Data Center**

December 13, 2000

Members of the Legislative Audit Committee:

In response to a request from the Department of Agriculture (Department), the State Auditor's Office has reviewed the expenses related to the contract between the Department and the Austin Data Center (Data Center). The Department uses the Data Center's hardware to run its licensing system and other software applications. Based on the scope of our review, we believe the Data Center charges a reasonable amount for its use. As part of our review, we developed three recommendations for the Department and the Department of Information Resources to consider:

- We recommend that the Department perform a cost-based analysis prior to making any decisions to move the operations from the Data Center.
- The Department, in conjunction with the Department of Information Resources (DIR), who arranged the contract, should regularly review the contract with the Data Center. The contract has been in place for five years without any documented review. Regular monitoring will help ensure the Department receives the best value for the services the State receives.
- We recommend that DIR and the Department improve communications to other agencies and the Data Center regarding the intentions and implications of proposed actions effecting the Data Center.

We would like to thank the Department, the Data Center and DIR their assistance during our review. If you have any questions, please contact Susan Riley, CPA, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA  
State Auditor

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Attachment

cc: The Honorable Susan Combs, Commissioner, Department of Agriculture  
Ms. Carolyn Purcell, Executive Director, Department of Information Resources

SAO Report No. 01-008

## Observations and Recommendations

### Perform Cost-Based Analysis

We recommend that the Department of Agriculture (Department) perform a cost-based analysis and examine the costs to use the Data Center versus running its own information technology systems in-house or elsewhere. The Department has expressed concern that the Austin Data Center (Data Center) costs are increasing and those costs may be too great for the services it receives.

The Department has released a Request for Information to convert their existing Integrated Licensing System (ILS) to a newer operating system with additional capabilities. The Department should consider all of the associated costs with running its own facilities and/or transferring services to another data services provider. These costs include 24 hours 7 days a week service, backup and recovery services, communications infrastructure, additional personnel, etc.

The State Auditor's Office offers a *Guide to Cost Based Decision Making* (SAO Report No. 95-139, August 1995) that is designed to assist state agency management in developing more comprehensive cost accounting information. This guide is intended to be used by decision-makers at all levels as well as by technical professionals responsible for providing information and developing and maintaining information systems.

### Monitor Contract for Best Value

We recommend that the Department of Information Resources (DIR), as well as the Department, review the costs associated with the contract on a regular basis to ensure the agency and the State is receiving the best value for the services. The Data Center contract has been in place for five years without any documented review. This would also apply to the master contract that DIR has with the Data Center.

There needs to be a mechanism in place to trigger this review process. It may be best if this review takes place prior to LAR being prepared by agencies utilizing the Data Center.

Also, this contract should be updated to reflect current information about areas such as the processing environment, contacts, and rates.

### Disseminate Information

We recommend that DIR enhance communications with all Data Center users. There are many actions/changes being contemplated that would impact other agencies. The agencies need to be aware of the implications of the changes.

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ATTACHMENT

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Conversely, the Department should discuss with the Data Center their goals and vision for updating the licensing system. The Department is one of the larger users of the Data Center and is responsible for approximately 25 percent of the total CPU usage and for about 22 percent of Data Center's revenues. The cost of CPU usage accounts for at least 50 percent of the Department's cost for services at the Data Center.

## Objectives, Scope, and Methodology

The objective of our work at the Department was to review the expenses related to the contract for services that the Department has through DIR with the Austin Data Center.

We reviewed Data Center detailed expenses for fiscal year 2000. We also did a comparative analysis of Data Center revenues and expenses for fiscal years 1999 and 2000. We reviewed the bills for the Department's use of the Data Center and payments to Data Center from other agencies

In the course of our work, we reviewed master and supplemental contracts, interviewed the Department, DIR and Data Center staff, examined records, and analyzed the collected data.

Our work was performed between August 3, 2000 and October 12, 2000.

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