# Internal Audit Report: Information Technology Seat Management Fees

**Prince William County, Virginia**

April 10, 2026

# TABLE OF CONTENTS

# TRANSMITTAL LETTER

April 10, 2026

The Board Audit Committee of
Prince William County, Virginia
1 County Complex Court
Prince William, Virginia 22192

Pursuant to the internal audit plan for calendar year ("CY") 2025 for Prince William County, Virginia ("County" / "PWC"), approved by the Board of County Supervisors ("BOCS"), we hereby present the internal audit of information technology seat management fees. We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on May 19, 2026.

Our report is organized into the following sections:

| | |
|---|---|
| **Executive Summary** | This provides a high-level overview and summary of the observations noted in our internal audit of the information technology seat management fees. |
| **Background** | This provides an overview of the function, as well as relevant background information. |
| **Objectives and Approach** | The internal audit objectives are expanded upon in this section, as well as a summation of the various phases of our approach. |
| **Observations Matrix** | This section includes a description of the observations noted during our internal audit and recommended actions, as well as Management's response, including the responsible party, and estimated completion date. |
| **Appendix** | This section contains additional information, including the recommended cost accounting structure and next steps. |

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

***RSM US LLP***

# EXECUTIVE SUMMARY

## Background

Information Technology Seat Management fees are a form of internal cost recovery used to allocate the cost of shared IT services to the departments that benefit from them. Rather than treating IT as a centralized overhead expense, seat management fees apply standardized charges to recover the cost of hardware, software, infrastructure, and support services consumed by employees. This approach is intended to promote transparency, equity, and accountability in the use of technology resources while supporting informed financial decision-making.

Under a typical seat management or IT chargeback model, total IT costs are accumulated into logical cost pools, such as end-user devices, enterprise applications, infrastructure, or administrative support functions. These costs are then allocated to departments using defined allocation bases that are intended to reflect how services are consumed. Because detailed usage tracking may be impractical or cost-prohibitive, organizations often balance accuracy with administrative efficiency by adopting simplified allocation methodologies that are reasonable, consistently applied, and well documented.

The County's seat management fee structure is primarily administered by the Department of Information Technology ("DoIT") and is integrated into the County's annual budget process. Under the current model, IT costs are organized into multiple cost pools, including Hardware, Messaging and Active Directory, IT Administrative Services, Core Enterprise Services, and Quad-specific services aligned with the County's organizational structure. Data used to calculate seat management fees flows from the County's budget development process and relies on coordination among DoIT, the Office of Management and Budget ("OMB"), Finance, and County departments. Clear definition of cost pools, allocation bases, and underlying assumptions is critical to confirming consistent application, stakeholder understanding, and effective integration of IT costs into departmental budgets.

## Objectives and Approach

The primary objective of this internal audit was to assess the design and effectiveness of internal controls over the administration of IT assessment fees, commonly referred to as 'seat management fees', that are applied to internal County departments. This included evaluating compliance with County policies, procedures, and applicable requirements. The audit also identified any process gaps and opportunities for improvement. Our approach included the following:

- Conducted interviews with representatives from OMB, Finance, and DoIT to gain an understanding of the in-scope processes.
- Understand the prior and current IT Seat Management Fee schedule approach and methodology.
- Evaluated methods and assumptions used for calculating fees.
- Understand how IT Seat Management Fee aligns with County budget processes.
- Obtained a listing of IT Seat Management Fees and, for a sample, assess the accuracy and logic utilized in calculation.
- Assessed applicable cost recovery guidelines.
- Assessed the consistency and transparency of fee application across departments.
- Reviewed the documentation and internal controls supporting fee determinations and revenue collection.

The review scope included the current cost allocation methodology in place, which was used during the FY26 budget cycle.

Fieldwork was performed August 2025 through November 2025.

## Overall Summary / Highlights

Internal audits provide insight into an organization's culture, policies, and procedures and aids the Board and Management in oversight by verifying internal controls are operating effectively, adequately mitigating risk, and are in compliance with relevant laws, regulations, and policies.

The observations detailed in the pages that follow represent only the instances where exceptions were noted, and do not detail the instances where testing resulted in no reportable observations. For each observation, we discuss the relevant risks, which may include financial, operational, and/or compliance, as well as public perception or 'brand' risks.

**Summary of Observation Ratings**
*(See page 3 for risk rating definitions)*

| | High | Moderate | Low |
|---|---|---|---|
| IT Seat Management Fees | - | 2 | - |

***We would like to thank all County team members who assisted us throughout this internal audit.***

# EXECUTIVE SUMMARY (CONTINUED)

## Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observation matrix section of the report. Definitions of the rating scale are included below. In addition, a process improvement opportunity has been provided following the detailed observations section.

| Summary of Observations | |
|---|---|
| **Observations** | **Rating** |
| 1. Cost Allocation Base | **Moderate** |
| 2. Cost Allocation Structure | **Moderate** |
| Process Improvement Opportunity | |
| 1. Budgetary Inputs | |

## Risk Rating Definitions

Provided below are the observation risk rating definitions for the detailed observations.

| Observation Risk Rating Definitions | |
|---|---|
| **Rating** | **Definition** |
| **Low** | Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. |
| **Moderate** | Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term. |
| **High** | Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately. |

# BACKGROUND

## Overview

Information Technology Seat Management fees are a form of internal cost recovery used by organizations, including state and local governments, to allocate the cost of shared IT services to the departments that benefit from them. Rather than treating IT as a centralized overhead expense, seat management fees apply a standardized charge - often on a per-user or per-device basis - to recover the cost of hardware, software, infrastructure, and support services consumed by internal customers or employees. This approach is designed to promote transparency, equity, and accountability in the use of technology resources. Designing and administering these models can be inherently complex due to the breadth of services provided, the number of stakeholders involved, and the need to balance cost accuracy with operational practicality.

Under a typical IT Seat Management or "chargeback" model, total IT costs are first accumulated into logical cost pools, such as end-user devices, organizational units, enterprise applications, infrastructure, or administrative support. These costs are then allocated to departments using defined allocation bases that are intended to reflect how services are consumed, such as headcount, number of devices, software licenses, or service usage metrics. To balance accuracy with administrative efficiency, organizations are challenged to adopt simplified allocation bases, particularly where detailed usage tracking is impractical or cost-prohibitive.

IT Seat Management Fees are commonly integrated into the annual budget process and are used to support budgeting, forecasting, and cost transparency across departments. When well-designed, these models help departments understand the cost of the IT services they receive and support informed decision-making. Best practices emphasize that allocation methodologies should be reasonable, consistently applied, clearly documented, and periodically reviewed to confirm continued alignment with service delivery and organizational needs. Integrating seat management fees into the broader budget process adds an additional layer of complexity, as cost assumptions, staffing levels, and service demands must be aligned with County-wide financial planning timelines and constraints.

The County's IT Seat Management Fee is primarily owned by the Department of Information Technology ("DoIT"), which recovers the cost of centrally provided IT services through these internal charges. These fees are assessed by the County departments and agencies and are incorporated into the County's annual budget process. Under the current model, DoIT organizes IT-related expenditures into multiple cost pools, including Hardware, Messaging and Active Directory, IT Administrative Services, and Core Enterprise Services. Costs are also organized by quadrant ("quads"), aligned with the County's organizational structure (Safe and Secure Community; Government Operations, Performance, and Innovation; Mobility, Economic Growth, and Resiliency; and Health, Wellbeing, and Environmental Sustainability). Budgeted costs within each pool are allocated primarily using full-time equivalent ("FTE") counts as the allocation base, resulting in a calculated per-FTE fee that is applied to departments. For services that are specific to certain functional areas, such as public safety or human services, costs are segregated into Quad-based pools and allocated only to the benefiting departments within those Quads.

## Roles and Responsibilities

Department of Information Technology ("DoIT"): DoIT is responsible for identifying IT services provided to County departments, developing the IT Seat Management Fee structure, and estimating the costs associated with hardware, software, infrastructure, and support services. DoIT calculates proposed fees using defined cost pools and allocation bases and maintains supporting operational data, such as asset inventories and service catalogs, used in the allocation process.

Office of Management and Budget ("OMB"): OMB oversees the incorporation of IT Seat Management Fees into the County's annual budget process and reviews DoIT's budget inputs and assumptions for financial planning purposes. OMB relies on DoIT and departments to communicate known or anticipated cost drivers, including contractual obligations, and supports executive leadership in evaluating the affordability and sustainability of IT services.

County Departments and Agencies: Departments receive IT services and are assessed seat management fees based on approved allocation methodologies. Departments are responsible for monitoring their budgets and properly requesting additional funds for new staff through the budget initiative process, and must communicate with DoIT regarding changes in headcount or asset need throughout the year.

# BACKGROUND (CONTINUED)

## Cost Accounting Terms and Guiding Principles

The below information reflects common cost accounting terms, guiding principles, and goals that are frequently utilized within corporate and governmental enterprises to define and promote efficient and effective cost accounting practices.

Cost Pools: Cost pools are collections of accounts, projects, or functions that are accumulated into a "logical grouping" to permit distribution of the total pooled costs to cost objectives that logically benefit from the costs being allocated. Examples may include: Facilities Pools, Fringe Benefits Pools, Human Resources Pools, IT Pools, Overhead Pools, and General & Administrative Pools.

Allocation Base: An allocation base is a measurable factor used to assign indirect costs (such as overhead) to cost objects like products, services, or departments. It serves as the link between the cost pool and the items that consume those costs. Allocation bases should be representative of the benefit received by cost objects, departments, or agencies receiving cost allocations to promote equitable distribution relative to the usage of the indirect costs. This relationship is often referred to as "causal and beneficial". Examples may include:

| Indirect Cost | Example Allocation Base |
|---|---|
| Facilities Cost | Square footage, employee headcount |
| Fringe Benefit | Total labor dollars |
| Human Resources | Employee headcount, total labor dollars |
| Information Technology | Number of computers, number of help desk tickets |
| Overhead | Direct labor or direct labor and fringe |

### Principles

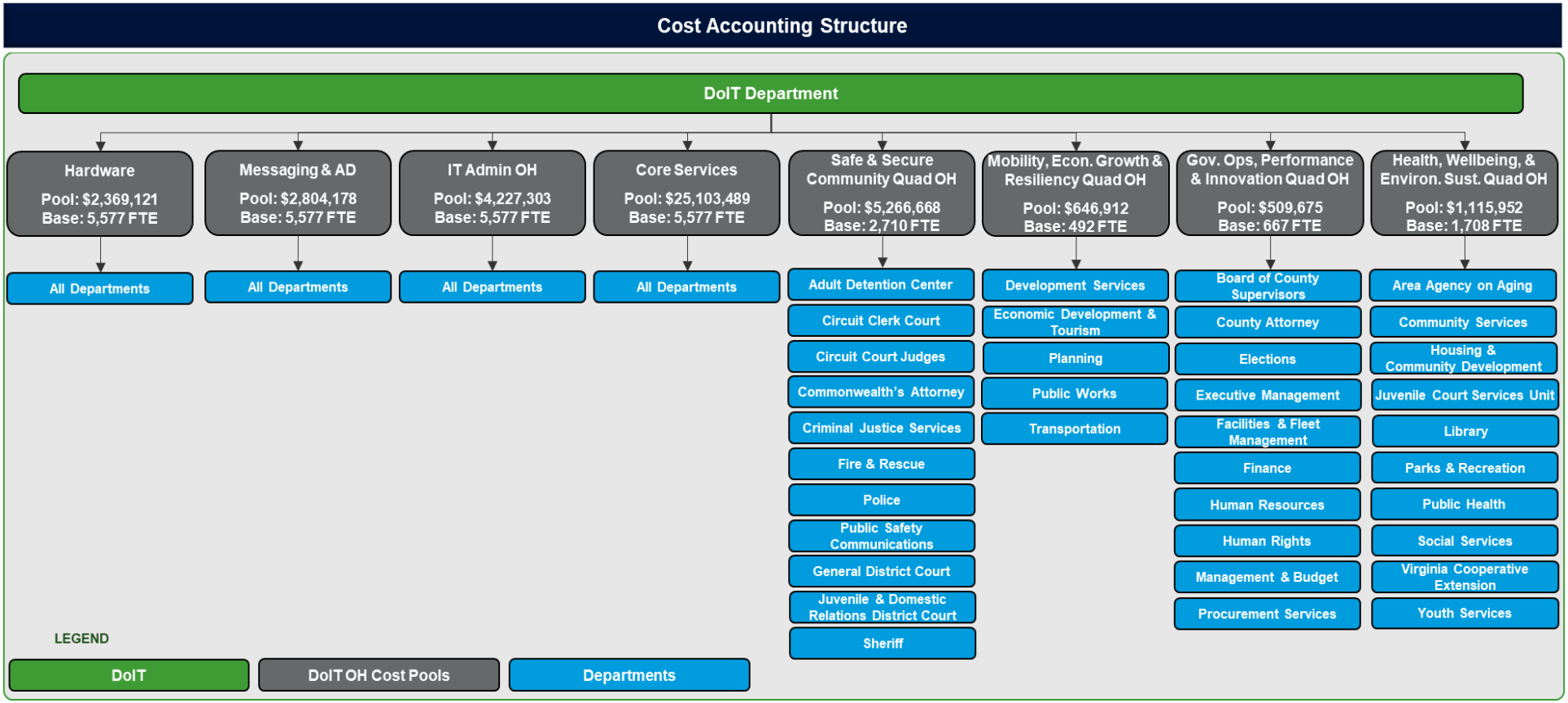
- **Causality:** Costs should be assigned based on cause-and-effect (causal and beneficial) relationships to the maximum extent practicable.
- **Accuracy:** Cost allocations should reflect actual resource consumption as closely as possible, avoiding arbitrary or misleading assignments.
- **Consistency:** Selected methods for cost allocation and measurement should be consistent over time to support comparability of financial data.
- **Transparency:** Methods and assumptions used in cost allocation should be clear and documented so stakeholders can understand and trust the data.

### Goals

- **Identify Cost-Benefit Relationships**: Determine whether the effort and expense of measuring and allocating costs exceeds the benefits of improved accuracy.
- **Simplification of Cost Accounting Structure**: Where high administrative burdens, low data confidence, or transparency of information is identified, promote simplified cost allocation methodologies.
- **Improve Cost Control**: Develop cost monitoring processes that allow ease of tracking expenses to identify opportunities for operational cost reduction and promote efficiency of resource use.
- **Improve Budgeting and Forecasting Accuracy**: Incorporate cost accounting data and trends into financial processes to support effective planning and resource allocation, and strategic decision making.
- **Performance Evaluation**: Analyze the efficiency of departments, initiatives, or processes.

# BACKGROUND (CONTINUED)

## DoIT Cost Allocation Structure – Current State




Note:

- Data is unaudited and was sourced from "DoIT ISF Fee Schedule FY26-27.xlsx" as of July 29, 2025.
- All IT costs are allocated to agencies and departments using catalog pricing for discrete service/product offerings over a base of FTEs.
- Messaging & AD, IT Admin OH, and Core Services all share the same base of total FTEs, mitigating the differentiation between pools.
- Costs specific to Quads are identified and segregated into unique pools and allocated only to the benefiting departments or agencies.
- PWC DoIT's support costs are organized into cost groupings that form a cost allocation structure, with fee calculations occurring at the individual cost-category level to produce the applicable fee per county FTE.

# BACKGROUND (CONTINUED)

## DoIT Cost Allocation Structure – Current State (Continued)

The tables below provide additional detail related to the services provided across countywide and quad-specific cost groupings, the associated budget pools, allocation base, and per-FTE fee. Data is sourced from the DoIT ISF fee Schedule.

| | Current Cost Allocation Structure: Countywide Costs | | | |
|---|---|---|---|---|
| | **Hardware** | **Messaging & AD** | **IT Admin** | **Core Enterprise Services** |
| **Description of Services** | • Standard Desktop Bundle<br>• Executive Desktop Bundle<br>• Standard Laptop Bundle<br>• Executive Laptop Bundle<br>• Public Safety MDC Bundle | • Front Line Worker<br>• Office Worker | • Customer Service and Enterprise Operations<br>• DoIT Leadership<br>• DoIT Admin Support Services<br>• DoIT Enterprise PMO | • Telecomm. Services<br>• Network and Security<br>• Cloud & Infrastructure<br>• App. Services<br>• Oracle Cloud Services<br>• Capital Replacement<br>• Hardware Replacement |
| **Budget Pool** | $2,369,121 | $2,804,178 | $4,227,303 | $25,103,489 |
| **Budget Allocation Base** | 5,577.4<br>(County FTE Count) | 5,577.4<br>(County FTE Count) | 5,577.4<br>(County FTE Count) | 5,577.4<br>(County FTE Count) |
| **Fee** | $425 per FTE | $503 per FTE | $758 per FTE | $4,501 per FTE |

| | Current Cost Allocation Structure: Quad-specific costs | | | |
|---|---|---|---|---|
| **IT Group** | Safe and Secure Community | Mobility, Economic Growth, and Resiliency | Government Operations, Performance, and Innovation | Health, Wellbeing, and Environmental Sustainability |
| **Description of Services** | For the departments listed on page 6, services provided include, but are not limited to:<br>• All Public Safety applications and infrastructure<br>• All radio installation & maintenance, including all DoIT specific Motorola costs. | For the departments listed on page 6, services provided include, but are not limited to:<br>• Cloud centric services and systems & maintenance:<br>• Includes DoIT specific development services & queueing hardware. | For the departments listed on page 6, services provided include, but are not limited to:<br>• Cloud centric services and systems maintenance:<br>• Includes DoIT-supported hardware specific to applications. | For the departments listed on page 6, services provided include, but are not limited to:<br>• Cloud centric services and systems maintenance:<br>• Includes DoIT supported hardware specific to applications. |
| **Budget Pool** | $5,266,668 | $646,912 | $509,675 | $1,115,952 |
| **Budget Allocation Base** | 2,710<br>(SSC FTEs) | 492<br>(MEGR FTEs) | 667<br>(GOPI FTEs) | 1,708<br>(HWES FTEs ) |
| **Fee** | $1,943 per FTE | $1,315 per FTE | $764 per FTE | $653 per FTE |

# OBJECTIVES AND APPROACH

## Objective

The objective of this internal audit was to assess the design and effectiveness of internal controls over the administration of IT assessment fees, commonly referred to as "seat management fees", that are applied to internal County departments. This included evaluating compliance with County policies, procedures, and applicable requirements. The internal audit also identified process gaps and opportunities for improvement. The review scope included the current cost allocation methodology in place, which was used during the FY26 budget cycle.

## Approach

Understanding and Documentation of the Process

This phase consisted primarily of inquiry and walkthroughs to obtain an understanding of the current operating policies and procedures, monitoring functions, and control structures as they relate to the processes within our scope. The following was performed as part of this phase:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of this audit, obtained preliminary data, and established working arrangements.
- Conducted interviews with personnel from key departments to obtain a detailed understanding of the in-scope processes.
- Reviewed the applicable policies, procedures, and agreements related to this project.
- Performed walkthroughs to gain a detailed understanding of the function and assess the design of the process.
- Developed a risk-based work plan for the evaluation of the design and operating effectiveness of processes and controls based on the information obtained through our review, inquiry, and walkthrough procedures.

Evaluation of the Design and Operating Effectiveness of Process and Controls

The purpose of this phase was to evaluate the design of key processes and controls and test compliance and internal controls for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet our audit objectives outlined above. Our testing procedures included, but were not limited to:

- Understand the prior and current IT Seat Management Fee schedule approach and methodology.
- Evaluated methods and assumptions used for calculating fees.
- Understand how IT Seat Management Fee aligns with County budget processes.
- Obtained a listing of IT Seat Management Fees and, for a sample, assessed the accuracy and logic utilized in calculation.
- Assessed applicable cost recovery guidelines.
- Assessed the consistency and transparency of fee application across departments.
- Reviewed the documentation and internal controls supporting fee determinations and revenue collection.

Reporting

At the conclusion of this internal audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management's response into this report.

# OBSERVATIONS MATRIX

## 1. Cost Allocation Base

**Risk Rating: Moderate**

### Observation

DoIT allocates costs across several IT service areas including: Hardware, Messaging & Active Directory, IT Administrative, and Enterprise Core services, primarily using full-time equivalent ("FTE") counts used as the allocation base. While this approach is applied consistently, it may not fully align with how certain IT services are consumed.

Specifically, several IT costs are driven by factors such as number of devices, system access, transaction volume, and data storage rather than the number of employees within a department. As a result, applying FTE counts as the allocation method across multiple service areas may not reflect actual usage of IT resources. Quadrant-specific allocations also rely on FTE counts, which may not capture differences in service demand across departments. While FTE counts can be an appropriate allocation base in industries where labor hours and workforce levels directly drive cost, alternative bases (e.g., laptop usage, average headcount, number of licenses, or other usage-based measures) may provide a more meaningful and operationally relevant cost driver for certain IT services.

The Government Finance Officers Association ("GFOA") emphasizes the importance of cost allocation methodologies being systematic and based on a reasonable relationship between costs incurred and services provided. While employee counts may be appropriate for services directly tied to staffing levels (e.g., payroll processing), IT services are often more appropriately allocated using usage-based measures such as number of devices, licenses, or transactions.

In addition, reliance on FTE data introduces variability into the allocation model, as workforce levels may fluctuate throughout the year. This can reduce predictability in cost recovery and complicate budgeting and forecasting. Guidance from state audit and finance authorities emphasizes that allocation bases should be consistent and supported by reliable data, as volatility in underlying inputs can reduce predictability and complicate budgeting.

As a result, IT costs may not be distributed proportionately across departments. Departments with relatively low FTE counts but higher use of IT services may be allocated less cost than appropriate, while others may bear a disproportionate share. This misalignment may reduce transparency, limit stakeholders' understanding of cost drivers, and impact budgeting and resource allocation decisions.

### Recommendation

The following is recommended:

- Perform a cost driver analysis to identify the most appropriate allocation base for each pool, implementing allocations at the consolidated pool level, and periodically reviewing base selection to validate that they remain aligned with operational realities.
- Utilize prior year-end base data for forward-year budgeting and confirm alignment between budget and ISF fee schedules.
- If opting to allocate expenses using the existing cost pools, consider the below allocation bases for each cost category, in order of precedence:
  - Hardware: 1) device usage, 2) average headcount, 3) labor dollars (i.e., compensation and salary).
  - Messaging & AD: 1) average headcount, 2) number of licenses, 3) labor dollars.
  - IT Admin: 1) number of service tickets, 2) average headcount, 3) labor dollars.
  - Core Services: 1) number of licenses, 2) average headcount, 3) asset usage.
  - Quads: 1) asset usage, 2) average headcount, 3) labor dollars.
- If opting to allocate expenses using consolidated cost pools (see **Observation 2**), consider using average annual headcount by department as the IT allocation base.

# OBSERVATIONS MATRIX (CONTINUED)

## 1. Cost Allocation Base (Continued)

### Management's Response

**Response:** Management concurs. DoIT has initiated a review of current allocation bases and is evaluating alternatives, including average annual headcount and device counts, for the FY 2029 budget cycle.

**Responsible Party:** OMB, DoIT

**Estimated Completion Date:** June 30, 2027

# OBSERVATIONS MATRIX (CONTINUED)

## 2. Cost Allocation Structure

**Risk Rating: Moderate**

### Observation

The County's IT cost allocation methodology utilizes multiple cost pools and subcategories, including Hardware, Messaging & Active Directory, Enterprise Core Services, and IT Administrative Services, which are further grouped by organizational quadrants. These cost pools are subdivided into discrete components, with catalog pricing calculated for each.

The County's current methodology for allocating IT costs relies on an extremely discrete approach; there are eight (8) different groupings that require additional data sets to calculate allocations. While this approach provides a high level of detail and transparency, the overall structure is complex and requires significant administrative effort to maintain. The methodology includes multiple cost groupings and relies on several supporting data sets to calculate allocations. As a result, the process requires ongoing data collection, validation, and coordination across departments.

GFOA guidance notes that while detailed internal service pricing systems can enhance transparency, governments should weigh the benefits of increased costing detail against the administrative cost and complexity required to design and maintain such systems. For County departments funded in whole or in part by federal awards, cost principles under 2 CFR Part 200 similarly allow for the use of reasonable allocation methods where more precise approaches would require disproportionate effort or cost.

Given the number of cost pools, level of detail, and reliance on multiple data inputs, the current methodology increases administrative burden and may be difficult to sustain over time. The complexity of the model also increases the risk of errors in data inputs or calculations and may limit the County's ability to efficiently update or adapt the methodology as operations evolve. As a result, the current structure may reduce efficiency in the cost allocation process and limit the usability of the information for budgeting and decision-making purposes.

### Recommendation

The following is recommended:

- Perform an analysis comparing the current cost allocation method and a proposed alternative utilizing base alternatives (see **Observation 1**) and cost pools. Assess whether the level of detail in cost pools and subcategories provides meaningful value relative to the administrative effort required to maintain the model. Consider consolidating cost pools or reducing the number of allocation components where appropriate, while maintaining transparency and alignment with cost drivers.
- Potential modifications to the cost allocation structure are depicted on page 14, and include:
  - Calculate total costs for each cost pool and allocate to agencies based on their percentage of the corresponding base.
  - Consolidate Messaging & AD, IT Admin Overhead, and Core Services into a logically homogeneous pool to reduce administrative complexity. Agencies would receive a single fee per employee using the assumption that IT cost is shared equally by all employees.
  - For costs that are specific to each Quad, continue allocating based on a base unique to that Quad.
  - Reduce discretion in allocation decisions by implementing standardized rules and improving data integrity controls to confirm accurate FTE counts.
  - Align the allocation methodology with available data sources and processes to reduce reliance on frequent manual updates and validation.
- Establish standardized approaches and controls over key inputs (e.g., FTE or other allocation bases) to support accurate and efficient calculations.

# OBSERVATIONS MATRIX (CONTINUED)

## 2. Cost Allocation Structure (Continued)

### Management's Response

**Response:** Management concurs and has already begun taking steps to simplify the cost allocation structure. Updates will be implemented for the FY 2029 budget cycle.

**Responsible Party:** OMB, DoIT

**Estimated Completion Date:** June 30, 2027

# PROCESS IMPROVEMENT OPPORTUNITY

## 1. Budgetary Inputs

Opportunities may exist to enhance alignment and coordination in budgeting inputs supporting the DoIT cost allocation process.

Hardware and Software Costs
DoIT and the OMB utilize differing approaches when developing hardware and software replacement cost assumptions. Through discussions with both OMB and DoIT, we noted inconsistencies in how replacement costs are calculated (i.e., reliance on original purchase costs or the cost at the time of employee hire, utilization of differing inflation factors, and utilization of inflation factors plus predicted cost increases).

Visibility into Contractual Agreements
OMB reviews contractual cost increases during the budget development process; however, it relies on departments to communicate new or updated contractual commitments. As OMB is not directly involved in the contract approval process, it may not have full visibility into agreements that introduce new or increased costs.

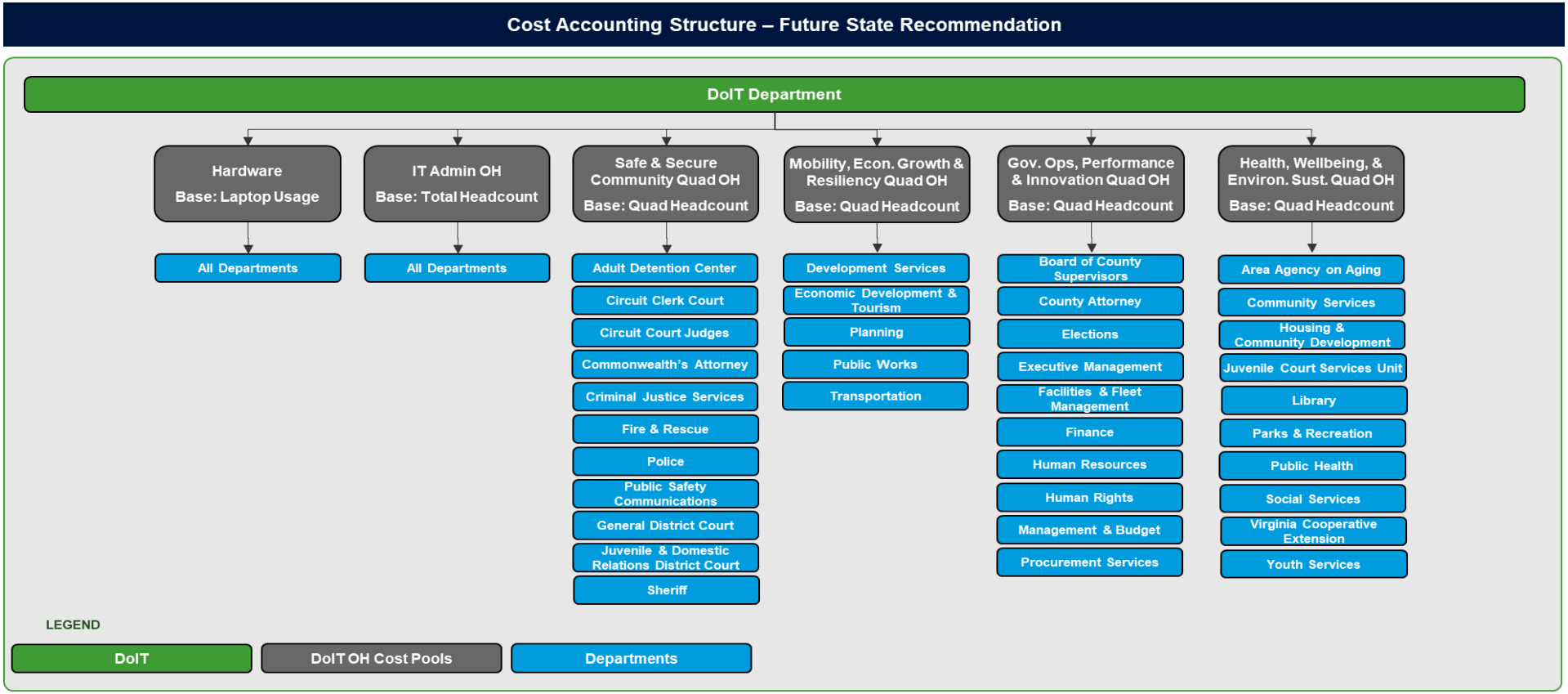
As a result, inconsistencies in budgeting assumptions and limited visibility into contractual commitments may reduce the accuracy and predictability of budget forecasts. These conditions may also limit coordination between departments and OMB during budget development and financial planning.

The following is recommended for consideration:

- Update hardware asset and software replacement cost assumptions annually using current market prices and align both OMB and DoIT on the cost replacement methodology.
- Confirm alignment between OMB and DoIT to the formal asset and software replacement practices with standardized refresh intervals to be used instead of employee hire dates.
- Develop and implement a standardized process requiring departments to share contractual cost information with OMB to support accurate budget forecasting and financial oversight.

# APPENDIX

## DoIT Cost Allocation Structure – Example Recommendation

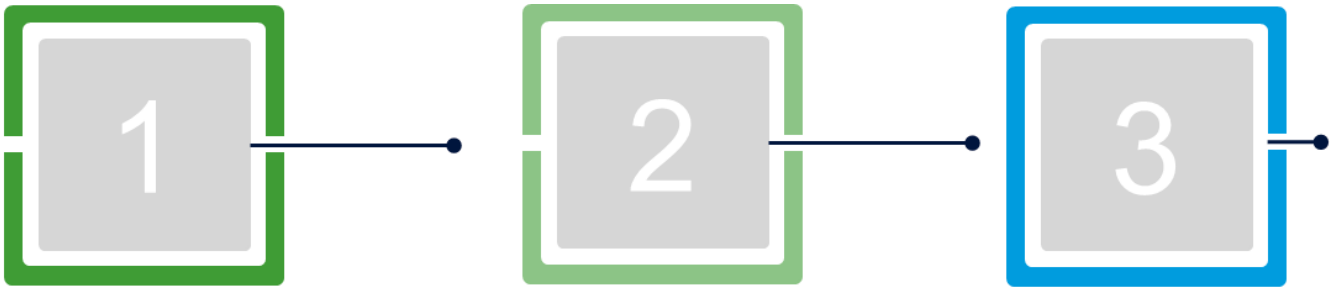



### Notes

- Hardware cost is consolidated into a single cost pool and allocated over a base of the total quantity of computer devices assigned to each department or agency.
- Messaging & AD, IT Admin OH, and Core Services are consolidated into a single IT OH pool and allocated over a base of average annual headcount by department/agency.
- Quad Overhead pools continue to be allocated only to departments and agencies benefitting from IT cost identified as specific to those quads.
- The recommended structure provides simplified cost pools and allocation calculations, while providing discrete allocations for quad services and laptops that are identifiable to select agencies.
- The trade-off for adopting the recommended structure is reduced granularity of cost allocations, and a required re-baselining of consumption by department/agency.

# APPENDIX (CONTINUED)

## DoIT Cost Allocation Structure – Recommendation (Continued)




### Update Cost Allocation Structure

- Consolidate Messaging & AD, IT Admin OH, and Core Services into a single pool to promote simplicity and reduce administrative burden.
- Evaluate and adopt more appropriate cost allocation bases for each cost grouping (pool) that better reflect causal relationships.
- Allocate pool costs at the consolidated level (rather than at the cost category level) for allocation to benefitting departments and agencies.

### Revise Historical Pricing Practices

- Update asset replacement costs annually using current market prices and confirm methodology alignment between OMB and DoIT.
- Routinely perform reconciliations between actual IT costs, the ISF allocation plan, and the County budget. Make forecast adjustments, as necessary.

### Develop Supporting Policies & Procedures

- Codify enhanced processes in policy documents.
- Review assumptions and cost bases on a periodic, pre-defined basis to determine integrity of causal and beneficial relationships.
- Establish a formal asset replacement policy with standardized refresh intervals.

RSM US LLP
1861 International Drive
Suite 400
McLean, VA 22102
703.336.6400

**www.rsmus.com**



RSM