



State of Utah

Spencer J. Cox
Governor

Deidre M. Henderson
Lieutenant Governor

Division of Technology Services

Alan S. Fuller

CIO
Executive Director

September 30, 2021

Dan Frei
Finance Director
Division of Technology Services

We have completed our audit of the Schedules of Cost Savings at the Utah Division of Technology Services for the period FY2021. Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. Attached is a copy of our report with our accompanying schedules and footnotes. If you have any questions, please feel free to contact me at 801-386-1839.

Sincerely,
Steve E. Zelazny

Steve E Zelazny
Internal Auditor III
Division of Technology Services



division of
**Technology
Services**

**Schedules of Cost Savings
at the Division of Technology Services
FY 2021**

**Internal Audit
September 30,
2021**

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Internal Auditor's Report

September 30, 2021

Dan Frei
Finance Director
Division of Technology Services

The internal auditors at the Division of Technology Services (DTS) were asked to examine the accompanying Schedule of Cost Savings FY 2021. For reference, the Schedule of Cost Savings FY2007-FY2018 examined by Eide Bailey, LLP has been included. Additionally, the accompanying Schedule of Cost Savings FY2019-FY2020, examined by the internal auditors at DTS, has been included. DTS internal auditor's responsibility is to express an opinion on the cost savings schedules relating to FY 2021.

Our examination was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, consistent with *Utah Code Annotated* and *Utah Administrative Code*. On a test basis, evidence was gathered to support the accompanying cost saving schedule FY2021 as we considered necessary. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the cost savings schedules in this report, present fairly, in all material respects, the cost saving of DTS for the fiscal year ended June 30, 2021, based on the underlying subject matter and other information provided to us by management as discussed in Note 1.

Steve E. Zelazny

Steve E Zelazny
Internal Auditor III
Division of Technology Services

Schedule of Cost Savings For the Years Ended June 30, 2019 and June 30, 2020 And Totals from Fiscal Years Ended June 30, 2007 through June 30, 2018 and through June 30, 2020

	FY2019-FY2020 Total New Savings	FY2007-FY2018 Total New Savings	FY2007-FY2020 Total New Savings
Initial Rate Reduction	\$ -	\$ 2,501,200	\$ 2,501,200
Data Center Consolidation	\$ -	\$ 13,841,595	\$ 13,841,595
Equipment Maintenance & Warranty	\$ -	\$ 61,833	\$ 61,833
Mainframe Equipment & Maintenance	\$ -	\$ 30,544	\$ 30,544
Desktop Savings through WSCA	\$ -	\$ 13,701,587	\$ 13,701,587
Consolidated Laptop Purchase	\$ -	\$ 337,439	\$ 337,439
Reduction in FTEs	\$ -	\$ 18,590,975	\$ 18,590,975
Video Conferencing	\$ -	\$ 143,657	\$ 143,657
Antivirus Purchase	\$ -	\$ 396,250	\$ 396,250
Data Center Power Savings	\$ -	\$ 503,147	\$ 503,147
Database Savings	\$ -	\$ 4,125,580	\$ 4,125,580
Central Purchasing - Service Catalog	\$ 784,222	\$ 3,924,226	\$ 4,708,448
Adobe Pricing Discount	\$ -	\$ 1,131,609	\$ 1,131,609
Contract Savings	\$ 2,005,141	\$ 12,362,150	\$ 14,367,291
Network Savings	\$ 209,000	\$ 943,980	\$ 1,152,980
Security Assessment Savings	\$ 1,097,849	\$ 916,283	\$ 2,014,132
Communication Savings	\$ 164,418	\$ -	\$ 164,418
CARES Act Savings	\$ 1,075,726	\$ -	\$ 1,075,726
SWCAP Discount	\$ 102,401	\$ -	\$ 102,401
Telework Reimbursement	\$ 370,501	\$ -	\$ 370,501
	\$ 5,809,258	\$ 73,512,055	\$ 79,321,313

Schedule of Cost Savings by Savings For the Year Ended June 30, 2020 and June 30, 2021

	FY2021
CARES Act Reimbursement	\$ 623,103.54
Service Catalog Pricing Discount	\$ 240,366.03
Call Manager Licenses and Maintenance Savings	\$ 112,114.60
Adobe Pricing Discount	\$ 49,533.97
Amazon 5% Discount	\$ 353,929.51
AWS Architect 10 % Discount	\$ 8,512.82
AWS Training 50% Discount	\$ 31,500.00
Carahsoft Credit	\$ 97,908.62
CASB Savings	\$ 145,379.62
Domo Savings and Credit	\$ 317,332.54
Google Workspace Add-ons	\$ 282,375.00
IBM Cognos MLA	\$ 7,744.00
Lucid Add-on	\$ 53,492.67
Mobichord Credit	\$ 12,328.77
Pivot Transformation App Discount	\$ 5,000.00
Pluralsight Contract Savings	\$ 157,086.55
SalesForce ELA	\$ 78,601.74
ServiceNow Contract Savings	\$ 19,471.19
ServiceNow Renewal Contract Savings	\$ 30,316.28
T-Mobile Cost Savings	\$ 109,081.63
T-Mobile Cost Avoidance	\$ 6,404.01
Verizon Cost Savings	\$ 24,548.06
T-Mobile Billing Cost Avoidance	\$ 6,299.70
Solar Winds Networking Tools Consolidation	\$ 71,173.93
SWCAP Discount	\$ 7,856.65
Telework Funds Reimbursement	\$ 1,352,226.26
	\$ 4,203,687.68

Schedule of Cost Savings by Savings Type For the Years Ended June 30, 2020 and June 30, 2021

	budgetary savings	cost avoidance savings	negotiated savings	operating efficiencies savings	total
Service Catalog (note 2)	-	-	\$ 240,366.03	-	\$ 240,366.03
Contract Savings (note 3)	\$ 335,867.67	-	\$ 959,252.79	\$ 355,392.82	\$ 1,650,513.28
Network Savings (note 4)	-	-	-	\$ 71,173.93	\$ 71,173.93
Communication Savings (note 5)	-	\$ 30,847.76	-	\$ 227,600.24	\$ 258,448.00
CARES Act Savings (note 6)	\$ 623,103.54	-	-	-	\$ 623,103.54
SWCAP Savings (note 7)	\$ 7,856.65	-	-	-	\$ 7,856.65
Telework Funds (note 8)	\$ 1,352,226.26	-	-	-	\$ 1,352,226.26
	\$ 2,319,054.12	\$ 30,847.76	\$ 1,199,618.82	\$ 654,166.99	\$ 4,203,687.69

Note 1 - Organization

The Department of Technology Services (DTS) was created on July 1, 2006 to restructure the Information Technology (IT) services provided to various State of Utah (State) agencies. This consolidation of all IT resources and services for the State into one department serves to improve accountability, reduce costs, increase services to taxpayers, and more closely align IT with the business needs of the State. The State's Division of Information Technology Services (ITS) was also consolidated into DTS.

DTS is an internal service fund which is operated like a business on a cost reimbursement basis for the services DTS provides to other state agencies. DTS service rates are established based on the costs of providing the particular services. When DTS changes its rates for service, the legislature then removes or adds a corresponding amount to the affected State agency's budget. The result is that a State agency may not realize the full savings from the rate reduction and may be impacted differently.

Basically, the savings may only be realized by the State in total.

The cost savings areas tested in this report are limited to those identified by DTS management. DTS financial transactions are included in the State of Utah's Comprehensive Annual Financial Report which is audited annually by the Utah State Auditor's office. Reliance has been placed on the financial data encompassed in that audit. The accompanying schedules do not encompass calculating the value of improved efficiencies achieved by various agencies after the inception of DTS by using the services offered by DTS nor do they attempt to measure DTS's performance improvements or its customer satisfaction.

References to years throughout these notes refers to the fiscal year (FY) ended June 30.

This report documents the estimated cost savings that the State has been able to achieve of DTS from July 1, 2020, through June 30, 2021. The following notes in this report explain how the estimated cost savings were determined for the period FY2021.

Schedules of Cost Savings – These schedules include the cost savings that have occurred in a particular year, examined from the periods FY2007 through FY2018 and for FY2019 and FY2020. Separately there is a schedule to include the new cost savings that have occurred in FY2021.

Schedule of Cost Savings by Savings Type – This schedule allocates the FY2021 costs savings documented in the Schedules of Yearly Cost Savings to four different savings types. The four savings types are as follows:

Budgetary Savings: Budgetary Savings are savings that have a direct effect on the current fiscal year budget of DTS. Cost savings efforts, measures and agreements incorporated by DTS allows DTS to perform the required level of service below the determined budgeted amount.

These savings could be used by DTS to provide additional services or support.

Cost Avoidance Savings: Cost Avoidance Savings are savings realized where DTS performed a service internally rather than paying an external provider. If the services were budgeted, the savings could be used by DTS to provide additional services or support. If the services were not budgeted, the savings were already realized when the budgets were established at the first of the year.

Negotiated Savings: Negotiated Savings are savings where DTS leverages their volume purchasing power to purchase products and services at a discounted rate. These savings would not be possible if agencies contracted for products and services individually. Typically, these savings do result in savings that can be immediately used for other purposes.

Operating Efficiencies Savings: Operating Efficiencies Savings are savings where DTS changes a process, procedure, or the way they do business resulting in DTS being more efficient and thus saving costs to the State. These types of savings usually provide initial savings to DTS and can be used by DTS to provide additional services or support.

Note 2 - Service Catalog

DTS has generated savings through established purchase contracts to provide bulk IT hardware for state agencies. DTS continuously procures quotes and reduced rates on hardware purchases by means of economies of scale-- these reduced rates are unobtainable by individual agencies. The total cost savings generated from these reduced rate high volume hardware purchases equals \$240,366.03 for FY2021. The cost savings were calculated by taking the vendor quotes agencies would have paid for hardware compared to the price per unit that was actually paid.

Note 3 - Contract Savings

DTS strives to create efficiencies through consolidation and leveraging of current resources. In addition, DTS is also optimizing vendor contracts and negotiating better deals for IT services through volume purchasing. Using DTS's bargaining power, DTS realized net cost savings of \$1,778,28.21 in FY2021.

The table below details the savings for each contract and the method for realizing the savings.

FY2021 Contract Savings					
Quote Vs. Final		Vendor Credit		MOU	
Adobe Pricing Discount	\$49,533.97	Amazon 5% Discount	\$353,929.51	IBM Cognos MOU	\$7,744.00
ServiceNow	\$49,787.47	Lucid Add-on	\$53,492.67		

Contract Savings				
AWS Architect Discount	\$8,512.82	MobiChord Credit	\$12,328.77	
AWS Training Discount	\$31,500.00	Pivot Transformation App Discount	\$5,000.00	
Carahsoft Credit	\$97,908.62	Pluralsight Savings	\$157,086.55	
CASB Savings	\$145,379.62	SalesForce ELA	\$78,601.74	
DOMO Savings and Credit	\$317,332.54	Google Workspace Add-on	\$282,375.00	

Adobe, AWS Architect, AWS Training, CASB, DOMO, and ServiceNow savings were all contracts where the amount DTS paid on invoices was lower than the original quote obtained by the applicable State Agency or DTS Manager. These savings were made possible by the creation of DTS and its subsequent purchasing power. The IBM Cognos MOU resulted in savings to DTS by means of small reimbursements from those state agencies for which DTS allocated licenses. The Amazon 5% discount, Google Workspace, Lucid, MobiChord, Pivot Transformation App, Pluralsight, and Salesforce were incurred through vendor credits as a result of negotiations and purchasing power.

Note 4 - Network Savings

Before FY2021, DTS contracted the services of three separate vendors to supply network management tools in order for DTS to meet requirements for security and reliable network services. DTS has realized \$71,173.93 in savings through operational efficiencies: DTS migrated to a single tool to accomplish all networking requirements.

Note 5 - Communications Savings

DTS has placed a high priority on upgrading communication services. During FY2021, DTS realized cost savings measures in the area of providing communication services to State agencies when transitioning to a subscription model for call manager licenses and supporting WebEx structure for a total of \$112,114.60. As part of the quality control process, DTS found billing errors on the part of Verizon and T-Mobile, negotiated for corrections, and thus avoided costs of \$25,577.03 and \$6,404.01 from the two respective vendors. To further the mission to provide communication services to the State, DTS realized operational efficiencies and subsequent cost savings by consolidating from three separate telecommunication providers to a single service provider, T-Mobile, which resulted in \$109,081.63 in savings. In total the communication savings for FY2021 were \$258,448.00.

Note 6 - CARES Act Reimbursement

As a result of the Covid-19 pandemic, the Utah Governor’s office urged employees to work from home as much as possible. With the sudden transition for many to begin telework, it was the responsibility of DTS to ensure that all teleworkers had a safe and secure connection to the State’s network which required an expansion to the State’s virtual private network capacity. The related costs for network gear and phone equipment, added licensing costs, and incurred overtime costs were initially funded from the DTS FY2021 budget. After the federal government passed the CARES Act, DTS collaborated with the Governor’s office to allocate CARES Act funds to reimburse DTS. Without the CARES Act, the unexpected expenses would have been passed on the state agencies in the form of increased rates for IT services. The reimbursement by the federal government saved DTS and the State of Utah \$623,103.54 in FY2021.

Note 7 - SWCAP Savings

Because DTS is an internal service fund, The Statewide Cost Allocation Plan includes DTS in the share of indirect expenses calculated by the Department of Administrative Services. During FY2020, the calculated share of allocated costs to DTS was \$621,369.65. DTS had budgeted for this higher amount but incurred less, thus a budgetary savings of (\$621,370-\$613,513.00) \$7,856.65 was realized during FY2021.

Note 8 - Telework Funds Savings

The Lieutenant Governor’s Office has promoted a State-Wide Telework initiative for a few years. DTS supports this initiative by installing network gear. Subsequent to the COVID-19 pandemic DTS was asked to accommodate for a surge in the number of telework employees among the various state agencies. The Department of Administrative Services reimbursed DTS for these telework expenditures through funds from the governor’s office. These funds covered expenditures already incurred by DTS for network gear which in turn reduced the DTS overhead expenditures and ultimately resulted in avoiding a rate increase. The table below details the business function areas which benefited from the expanded network.

<i>Business Function</i>	<i>FY2021 amount</i>
Core Network Telework Traffic	\$308,279.05
CMDB/SACM Consultants	\$98,136.42
Network Enhancements (direct connect)	\$43,129.80
AWS Direct Connect/GCP Interconnect Switch (VDI)	\$39,000.00
Core Network Switch (Cisco 9600), Internet edge State WAN (VPN sessions)	\$162,759.85
Internet Router ASR (telework front door increases)	\$47,500.00
DTS Employees VSE	\$97,076.20
DTS Employees Teletech	\$122,974.75

DTS Employees DaaS	\$131,167.77
CVE Engineer	\$25,050.00
VoIP (remaining items)	\$99,733.46
Collaboration Tools	\$158,496.80
Total	\$1,352,226.26