



OCT 09 2003

# COMMONWEALTH of VIRGINIA

Cheryl Clark  
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Virginia Information Technologies Agency  
110 SOUTH SEVENTH STREET  
RICHMOND, VIRGINIA 23219  
(804) 371-5000

TDD VOICE - TEL. NO.  
371-8076

October 6, 2003

Mr. Glen Tittermary  
Joint Legislative Audit and Review Commission  
General Assembly Building, Suite 1100  
Richmond, Virginia 23219

Dear Mr. Tittermary:

The purpose of this letter is to request the Joint Legislative Audit and Review Commission's approval to reduce the Unisys CPU rate from \$.0088 to \$.00858 per second, which represents approximately \$300,000 per year reduction for this service. The reduced rate would offset charges that the Department of Social Services (DSS) will incur as a result of converting from a shared MAPPER I region to a dedicated MAPPER I region.

The conversion is a benefit to both DSS and VITA. In the current environment, VITA staff must perform database maintenance on behalf of DSS to protect against unauthorized access to other agencies' data. Also, maintenance must be coordinated with other users due to systems downtime. In the dedicated environment, DSS will perform its own database maintenance according to its schedule and without impact to other users.

Currently, VITA does not have a process to accurately identify and allocate certain shared region expenses. VITA does charge for the full cost of dedicated regions. Accordingly, DSS will now incur a charge it did not heretofore have. The purpose of the rate decrease is to make this conversion revenue neutral to VITA and expense neutral to DSS.

If you have any questions, or would like a complete package of rate schedules, you may contact me at (804) 371-5672.

Sincerely,

A handwritten signature in black ink that reads "Mike Lane".

Mike Lane

C: Mike Gleason, Department of Planning and Budget  
Austin Matthews, VITA Chief Financial Officer



OCT 27 2003

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Joint Legislative Audit and Review Commission  
Suite 1100  
General Assembly Building  
Richmond, Virginia 23219

Dear Mr. Tittermary:

As you know VITA is in the process of transitioning in-scope agencies to VITA over the next 14 months. The purpose of this letter is to request the Joint Legislative Audit and Review Commission's approval for the implementation of interim billing rates for services new to VITA. These interim rates allow VITA to recover costs associated with providing these new services, while continuing to accumulate accurate service and personnel cost data during transition.

### **Methodology Used for New Services**

The primary source of data used to develop the charge-back model and establish rates for new VITA services was the Asset Portfolio database. This database was created from due diligence surveys of all in-scope agencies that will transition to VITA. Included in the database was purchase and ongoing cost information about servers, PCs, voice and data network equipment, LAN devices, peripheral equipment and software. A second database that mapped new employees from the in-scope agencies into specific VITA functional areas was used to determine the personnel cost of supporting the new services. This information was used to project the total expense VITA will incur in providing services for nearly 60,000 PCs, 3,000 servers, 5,000 network and other devices, and more than 1,000 licenses for software. The hardware, software and the expected 890 new staff acquired from the agencies represent approximately \$140,000,000 in expenses new to VITA. All projected expenses were allocated to various cost pools according to the new services VITA expects to charge for. Those expenses were then integrated with existing expenses to develop a new budget and ultimately determine the appropriate rates to charge for each unit of service.

Due to the magnitude of this effort, VITA contracted with a consulting firm that specializes in developing charge-back methodologies and rates for IT services to assist

us<sup>1</sup>. The firm has been in the charge-back consulting business for over 20 years with private and public sector clients. The consultants reviewed our current rates and our documented methodology for changing and establishing new rates. We discussed, with the consultants, our general plan for developing VITA's interim rates for new services. Once the consultants were satisfied that our methodology was sound, they then met with each of the Directors responsible for delivering services that we expected to charge for. As a result of those meetings, the consultants assisted us in defining the appropriate cost pools, specific components to include in the pools and units of measure for which rates would be developed. The consultants confirmed that VITA's approach for establishing the rate structure for new services is reasonable and consistent with other organizations.

In addition to validating VITA's methodology and assisting with the project, we asked the consultants to research other government and private organizations to provide additional documentation to validate the reasonableness of our rate setting process and rate structure. While they are currently in the process of compiling the results of that research, their preliminary conclusion is that VITA's methodology is sound.

### **Proposed Rate Categories and Associated Rates**

Listed below are the categories of services and associated rates for which VITA plans to charge and the method of charging for each new service. These rates include direct expenses such as hardware, software and staff that directly support the service, shared expenses such as security, capacity planning and the customer care center, and indirect expenses such as finance and human resources. Rates will become effective the first full month following agency transition and will be considered interim. These rates will likely exist for 18 to 24 months. At that time, VITA will have more accurate data concerning the volume and cost of equipment and software. With server consolidation and other cost savings measures implemented over the coming years, VITA expects to adjust the rates downward over time. At the same time, we will revise the charging model as experience indicates.

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<sup>1</sup> C. N. Johnson & Associates, Phelan, CA – [www.cnjohnson.com](http://www.cnjohnson.com)

## Rate Categories for New VITA Services

### Desktop Services

Desktop rates include desktop PCs, laptops, additional software and hardware outside of the standard, and wireless and handheld devices.

**PC – standard rate (\$94.78 per month)**

Includes the standard hardware and software configuration, maintenance, support and shared LAN devices such as printers, scanners, etc.  
Based on a 4 year replacement cycle

**PC – high end rate (\$107.78 per month)**

Includes the same items as the standard PC plus a more expensive hardware configuration such as more memory, faster processor, larger hard drive and larger monitor

**Laptop – standard rate (\$204.21 per month)**

Includes the same items as the standard PC; hardware is more expensive  
Based on a 3 year replacement cycle

**Laptop – high end rate (\$218.21 per month)**

Includes the same items as the standard Laptop plus a more expensive hardware configuration such as more memory, faster processor, and larger hard drive

**Additional PC software – cost + administrative support (8.9%)**

Cost may be purchase, annual license fee, etc

**Additional PC hardware – cost + administrative support (8.9%)**

Cost may be purchase, maintenance, etc

**Wireless/handhelds – cost + administrative support (8.9%)**

Cost may be purchase, license, maintenance, usage, etc

## Server Services

Server rates consist of a hardware and software component. The hardware component includes hardware, maintenance, operating system software and support. The software component includes licensing and support.

### **Windows/NT servers**

Hardware component - Three tiers of rates determined by the cost of the server.

Based on a 3 year lifecycle

**Tier 1 - \$338.30 per month**

**Tier 2 - \$1,337.19 per month**

**Tier 3 - \$2,777.62 per month**

### **UNIX servers**

Hardware component - Three tiers of rates determined by the cost of the server.

Based on a 3 year lifecycle

**Tier 1 - \$431.15 per month**

**Tier 2 - \$1,621.21 per month**

**Tier 3 - \$3,529.27 per month**

**Server software** for either type of server – Five tiers of rates determined by the recurring annual cost of the software.

**Tier 1 - \$312.94 per month**

**Tier 2 - \$3,014.77 per month**

**Tier 3 - \$10,063.81 per month**

**Tier 4 - \$23,662.38 per month**

**Tier 5 - \$51,603.16 per month**

### **Non-standard servers**

When the cost of a server falls outside of the rated range, the hardware charge will be specific to the server. The software charge will be determined from the software rate table above.

Based on a 5 year lifecycle.

**Hardware – monthly charge is purchase price times 3.11%**

**Software – from the Server software table above**

**Network Equipment Services - data** (routers, bridges, switches, hubs)

Equipment cost plus support.

Based on a 3 year lifecycle.

**Monthly charge is purchase price times 5.85%**

**Network Equipment Services - voice** (Key systems, PBX, VOIP systems)

Equipment cost plus support.

Based on a 5 year lifecycle.

**Monthly charge is purchase price times 3.51%**

**Other Hardware** (production printers, tape, disk, etc)

Equipment cost plus support.

Based on a 5 year lifecycle.

**Monthly charge is purchase price times 3.11%**

A summary table of our proposed interim rates is provided in Attachment A.

We are also analyzing the effect of these rates on agency information technology budgets. That information will be forthcoming shortly.

In order to expedite this process and have interim rates in place as quickly as possible, we would welcome a meeting among staff to go over calculations and assumptions associated with the interim rates. If you have any questions, please give me a call at 371-5672.

Sincerely,



Michael K. Lane  
Budget Director

Attachment

cc: Austin Matthews  
Cheryl Clark  
Eugene Huang

**Attachment A**

**VITA New Service Interim Rates**

<u>Servers</u>	NT Tier 1	NT Tier 2	NT Tier 3	UNIX Tier 1	UNIX Tier 2	UNIX Tier 3
Annual cost range	\$547-\$5,999	\$6,000-\$14,999	\$15,000-\$27,999	\$547-\$7,499	\$7,500-\$17,499	\$17,500-\$29,999

<u>Monthly Rates</u>	\$338.30	\$1,337.19	\$2,777.62	\$431.15	\$1,621.21	\$3,529.27
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<u>Software</u>	SW Tier 1	SW Tier 2	SW Tier 3	SW Tier 4	SW Tier 5
Annual cost range	\$320-\$9,999	\$10,000-\$49,999	\$50,000-\$99,999	\$100K-\$249K	\$250K-\$474,005

<u>Monthly Rates</u>	\$312.94	\$3,014.77	\$10,063.81	\$23,662.38	\$51,603.16
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<u>Desktops</u>	PC Standard	PC High End	Lap Standard	Lap High End
<u>Monthly Rates</u>	\$94.78	\$107.78	\$204.21	\$218.21

<u>Network Equipment - Data</u>	Monthly rate (% of purchase)	5.85%
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<u>Network Equipment - Voice</u>	Monthly rate (% of purchase)	3.51%
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<u>Other Hardware</u>	Monthly rate (% of purchase)	3.11%
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Additional PC hardware devices (printer, scanner, plotter, etc) charged as purchase price + administrative support (8.9%)  
 Additional PC software (Attachmate, Visio, MS Project, etc) charged as purchase price + administrative support (8.9%)  
 Wireless handheld devices charged as cost (purchase, maintenance, license, usage) + administrative support (8.9%)

Cost pools and rate calculations for new VITA services

\*\*\*\*\*PROJECTED VITA EXPENSES\*\*\*\*\*

Cost Pool and unit counts	Direct HW & SW	Direct Support staff	Shared Security	Other (shared) New staff	Total Direct Plus Shared	Indirect	Cost Pool Total
<u>Computer Services</u>							
UNIX (1,150)	\$5,201,261	\$1,828,193	\$179,701	\$743,202	\$7,952,357	\$1,296,340	\$9,248,697
NT (1,818)	\$6,278,692	\$2,206,900	\$216,925	\$897,156	\$9,599,673	\$1,564,874	\$11,164,547
Server software (551)	\$11,991,625	\$4,214,941	\$414,304	\$1,713,470	\$18,334,340	\$2,988,740	\$21,323,081
Total	\$23,471,578	\$8,250,034	\$810,930	\$3,353,828	\$35,886,371	\$5,849,954	\$41,736,325
Desktop (49,588)	\$31,690,779	\$11,139,004	\$1,094,899	\$4,528,261	\$48,452,943	\$7,898,472	\$56,351,415
Laptop (8,133)	\$11,198,083	\$3,936,019	\$386,888	\$1,600,082	\$17,121,071	\$2,790,961	\$19,912,032
Total	\$42,888,862	\$15,075,023	\$1,481,787	\$6,128,343	\$65,574,014	\$10,689,433	\$76,263,447
Other Hardware (122)	\$7,332,430	\$2,577,279	\$253,331	\$1,047,723	\$11,210,762	\$2,463,464	\$13,674,226
All computer services	\$73,692,870	\$25,902,336	\$2,546,048	\$10,529,894	\$112,671,147	\$19,002,851	\$131,673,998
Computer Services Personnel Allocations		466					
<u>Telecommunications</u>							
New devices data (5,841)	\$3,966,516	\$2,524,560	\$137,041	\$683,303	\$7,311,420	\$726,642	\$8,038,062
Old devices data (4,566)	\$6,374,660	\$4,057,267	\$220,241	\$1,098,148	\$11,750,316	\$1,167,799	\$12,918,115
Total	\$10,341,176	\$6,581,827	\$357,282	\$1,781,450	\$19,061,736	\$1,894,440	\$20,956,177
New devices voice (1,868)	\$1,307,677	\$832,295	\$45,180	\$225,270	\$2,410,421	\$239,558	\$2,649,980
Old devices voice (276)	\$321,365	\$204,538	\$11,103	\$55,361	\$592,367	\$58,872	\$651,239
Total	\$1,629,042	\$1,036,833	\$56,282	\$280,631	\$3,002,788	\$298,431	\$3,301,219
All Telco	\$11,970,218	\$7,618,660	\$413,564	\$2,062,082	\$22,064,524	\$2,192,871	\$24,257,395
Telco Personnel Allocations		121					
Totals	\$85,663,088	\$33,520,996	\$2,959,613	\$12,591,975	\$134,735,672	\$21,195,722	\$155,931,394

## Rate Calculations

<u>Servers</u>	NT Tier 1	NT Tier 2	NT Tier 3	UNIX Tier 1	UNIX Tier 2	UNIX Tier 3
Annual cost range	\$547-\$5,999	\$6,000-\$14,999	\$15,000-\$27,999	\$547-\$7,499	\$7,500-\$17,499	\$17,500-\$29,999
Server counts	1,564	211	43	982	138	30
Mean cost	\$2,281	\$9,016	\$18,728	\$2,907	\$10,931	\$23,796
Median cost (FYI only)	\$1,875	\$8,000	\$16,980	\$2,400	\$10,113	\$24,170
Base (HW and SW)	\$3,567,484	\$1,902,376	\$805,304	\$2,854,674	\$1,508,478	\$713,880
Support and shared	\$2,776,089	\$1,480,361	\$626,659	\$2,221,406	\$1,173,844	\$555,516
Total to recover	\$6,343,573	\$3,382,737	\$1,431,963	\$5,076,080	\$2,682,322	\$1,269,396
Annual amount per server	\$4,055.99	\$16,031.93	\$33,301.46	\$5,169.12	\$19,437.12	\$42,313.20
<b>Monthly Rates</b>	<b>\$338.00</b>	<b>\$1,335.99</b>	<b>\$2,775.12</b>	<b>\$430.76</b>	<b>\$1,619.76</b>	<b>\$3,526.10</b>

<u>Software</u>	SW Tier 1	SW Tier 2	SW Tier 3	SW Tier 4	SW Tier 5
Annual cost range	\$320-\$9,999	\$10,000-\$49,999	\$50,000-\$99,999	\$100K-\$249K	\$250K-\$474,005
Software counts	407	77	41	12	14
Mean Annual Cost	\$2,110	\$20,327	\$67,855	\$159,543	\$347,933
Base SW cost	\$858,770	\$1,565,179	\$2,782,055	\$1,914,516	\$4,871,062
Support and Shared	\$668,264	\$1,217,967	\$2,164,896	\$1,489,808	\$3,790,487
Total to recover	\$1,527,034	\$2,783,146	\$4,946,951	\$3,404,324	\$8,661,549
Annual amount per unit	\$3,751.93	\$36,144.75	\$120,657.35	\$283,693.68	\$618,682.07
<b>Monthly Rates</b>	<b>\$312.66</b>	<b>\$3,012.06</b>	<b>\$10,054.78</b>	<b>\$23,641.14</b>	<b>\$51,556.84</b>

<u>Desktops</u>	PC Standard	PC High	Lap Standard	Lap High
Desktop counts	49,588		8,133	
Total to Recover	\$56,351,415		\$19,912,032	
Annual Amount	\$1,136.39		\$2,448.30	
<b>Monthly Rates</b>	<b>\$94.70</b>	<b>\$107.70</b>	<b>\$204.03</b>	<b>\$218.03</b>

<u>Network Equipment - Data</u>	Monthly rate (% of purchase)
Purchase Total	\$22,683,419.23
3 year recovery Total	\$62,868,529.66
Monthly recovery amount	\$1,746,348.05
<b>Monthly rate (% of purchase)</b>	<b>7.70%</b>

<u>Network Equipment - Voice</u>	Monthly rate (% of purchase)
Purchase Total	\$6,055,893.61
5 year recovery Total	\$16,506,094.02
Monthly recovery amount	\$275,101.57
<b>Monthly rate (% of purchase)</b>	<b>4.54%</b>

<u>Other Hardware</u>	Monthly rate (% of purchase)
Purchase Total	\$19,137,353
5 year recovery Total	\$68,371,132.20
Monthly recovery amount	\$1,139,518.87
<b>Monthly rate (% of purchase)</b>	<b>5.95%</b>

Additional PC hardware devices (printer, scanner, plotter, etc) charged as purchase price + administrative support (8.9%)  
 Additional PC software (Visio, MS Project, etc) charged as purchase price + administrative support (8.9%)  
 Wireless handheld devices charged as cost (purchase, maintenance, license, usage) + administrative support (8.9%)

**VITA  
PROJECTED PROFIT AND LOSS STATEMENT  
INTERNAL SERVICE FUNDS  
FY04-06**

11/24/03

	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
<b>REVENUE</b>			
<i><b>Current Services</b></i>			
Computer Services	\$45,474,448	\$48,029,197	\$50,237,174
Telecommunications	\$69,300,000	\$69,246,279	\$70,246,279
Enterprise Systems	\$2,723,838	\$2,723,838	\$2,723,838
Subtotal	<u>\$117,498,286</u>	<u>\$119,999,314</u>	<u>\$123,207,291</u>
<i><b>New Services</b></i>			
Computer Services	\$19,190,936	\$109,829,281	\$131,673,997
Telecommunications Services	\$3,205,918	\$19,442,302	\$23,466,604
Subtotal	<u>\$22,396,854</u>	<u>\$129,271,584</u>	<u>\$155,140,602</u>
Total Revenue	<u>\$139,895,141</u>	<u>\$249,270,898</u>	<u>\$278,347,893</u>
<b>EXPENSES</b>			
<i><b>Current Services Direct Expenses</b></i>			
Computer Services	\$39,185,193	\$40,231,398	\$40,648,666
Telecommunications	\$64,360,574	\$64,310,574	\$65,510,574
Enterprise Systems	\$1,709,602	\$1,709,602	\$1,709,602
Subtotal	<u>\$105,255,368</u>	<u>\$106,251,573</u>	<u>\$107,868,841</u>
<i><b>New Services Direct Expenses</b></i>			
Computer Services	\$16,421,350	\$93,979,003	\$112,671,146
Telecommunications Services	\$2,916,103	\$17,684,716	\$21,345,221
Subtotal	<u>\$19,337,453</u>	<u>\$111,663,719</u>	<u>\$134,016,367</u>
<i><b>Indirect Expenses 1/</b></i>			
Current	\$21,596,048	\$21,724,513	\$21,724,513
New	\$2,035,059	\$7,783,148	\$11,321,972
Subtotal	<u>\$23,631,107</u>	<u>\$29,507,661</u>	<u>\$33,046,486</u>
Total Expenses	<u>\$148,223,927</u>	<u>\$247,422,954</u>	<u>\$274,931,694</u>
<b>PROFIT/(LOSS)</b>	(\$8,328,787)	\$1,847,944	\$3,416,199
<b>Start-Up Costs /2</b>	(\$3,950,000)	\$0	\$0
<b>RETAINED EARNINGS JULY 1</b>	\$26,362,876	\$14,084,089	\$15,932,033
<b>RETAINED EARNINGS JUNE 30</b>	<u>\$14,084,089</u>	<u>\$15,932,033</u>	<u>\$19,348,232</u>

/1 This line shows growth in new indirect expenses as a result of the new VITA organization. By FY06, the application of these expenses will be \$11.9M to current services and \$21.2M to new services.

/2 VITA and the Secretary of Finance have agreed to charge \$4 million in start-up costs to the Internal Service Funds in lieu of Finance transferring VITA's share of IT reductions out of this account in the same amount. These costs will be distributed to the Expenses section of this worksheet in the next update.

VITA  
 PROJECTED PROFIT AND LOSS  
 INTERNAL SERVICE FUNDS  
 FY04-FY06  
 MONTHLY FOR FY04

	FY04												Total FY04	Total FY05	Total FY06	
	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04				
<b>REVENUE</b>																
<i>Current Services</i>																
Computer Services	\$3,562,088	\$4,118,665	\$3,670,200	\$3,911,325	\$3,648,259	\$3,671,320	\$3,359,016	\$3,769,488	\$3,913,941	\$3,985,088	\$3,997,100	\$3,877,959	\$45,474,448	\$48,029,197	\$50,237,174	
Telecommunications	\$5,337,370	\$5,895,642	\$5,942,834	\$5,784,983	\$5,795,436	\$5,094,280	\$5,812,222	\$5,455,582	\$6,033,404	\$5,829,472	\$5,749,177	\$5,998,588	\$69,300,000	\$69,246,279	\$70,246,279	
Enterprise Systems	\$200,093	\$262,237	\$193,065	\$205,921	\$163,676	\$175,101	\$202,828	\$194,584	\$383,530	\$367,222	\$177,316	\$187,266	\$2,723,838	\$2,723,838	\$2,723,838	
Subtotal	\$9,699,551	\$10,266,545	\$9,806,099	\$9,903,239	\$9,627,370	\$8,930,701	\$9,374,067	\$9,409,634	\$10,330,875	\$10,181,781	\$9,913,592	\$10,054,833	\$117,498,286	\$119,999,314	\$123,207,291	
<i>New Services</i>																
Computer Services	\$0	\$0	\$0	\$80,650	\$161,301	\$241,951	\$322,601	\$3,224,916	\$3,601,558	\$3,978,201	\$4,354,843	\$4,736,364	\$19,190,936	\$109,829,281	\$131,673,997	
Telecommunications	\$0	\$0	\$0	\$14,858	\$29,715	\$44,573	\$59,431	\$528,205	\$528,205	\$597,591	\$666,977	\$736,364	\$3,203,918	\$19,442,302	\$23,466,604	
Subtotal	\$0	\$0	\$0	\$95,508	\$191,016	\$286,524	\$382,032	\$3,753,120	\$3,753,120	\$4,199,149	\$4,645,178	\$5,091,207	\$22,595,654	\$129,271,584	\$155,140,602	
Total Revenue	\$9,699,551	\$10,266,545	\$9,806,099	\$9,998,747	\$9,818,386	\$9,217,225	\$9,756,099	\$13,162,754	\$14,083,995	\$14,380,931	\$14,588,770	\$15,146,040	\$139,895,141	\$249,270,898	\$278,347,893	
<b>EXPENSES</b>																
<i>Current Services Direct Expenses</i>																
Computer Services	\$3,162,792	\$3,197,829	\$3,286,259	\$3,282,336	\$3,282,336	\$3,282,336	\$3,282,336	\$3,282,336	\$3,282,336	\$3,282,336	\$3,279,926	\$3,282,036	\$39,185,193	\$40,231,398	\$40,648,666	
Telecommunications	\$5,370,705	\$5,359,724	\$5,359,724	\$5,363,395	\$5,363,395	\$5,363,395	\$5,363,395	\$5,363,395	\$5,363,395	\$5,363,395	\$5,363,381	\$5,363,462	\$64,360,574	\$64,310,574	\$65,510,574	
Enterprise Systems	\$145,464	\$142,194	\$142,194	\$142,194	\$142,194	\$142,194	\$142,194	\$142,194	\$142,194	\$142,194	\$142,194	\$142,194	\$1,709,602	\$1,709,602	\$1,709,602	
Subtotal	\$8,678,961	\$8,699,747	\$8,788,177	\$8,787,925	\$8,787,925	\$8,787,925	\$8,787,925	\$8,787,925	\$8,787,925	\$8,787,924	\$8,785,502	\$8,787,692	\$105,255,368	\$106,251,573	\$107,868,841	
<i>New Services Direct Expenses</i>																
Computer Services	\$0	\$0	\$0	\$69,011	\$138,022	\$207,033	\$276,044	\$2,799,504	\$2,759,504	\$3,081,791	\$3,404,077	\$3,726,363	\$16,421,350	\$83,979,003	\$112,671,146	
Telecommunications	\$0	\$0	\$0	\$13,515	\$27,029	\$40,544	\$54,058	\$480,455	\$480,455	\$543,569	\$606,682	\$669,796	\$2,916,103	\$17,684,716	\$21,345,221	
Subtotal	\$0	\$0	\$0	\$82,526	\$165,051	\$247,577	\$330,102	\$3,239,959	\$3,239,959	\$3,625,359	\$4,010,759	\$4,396,160	\$19,337,453	\$111,663,719	\$134,016,367	
<i>Indirect Expenses</i>																
Current	\$1,987,817	\$1,627,075	\$1,704,441	\$1,813,714	\$1,820,363	\$1,800,466	\$1,819,834	\$1,800,466	\$1,800,466	\$1,800,466	\$1,810,541	\$1,810,376	\$21,596,048	\$21,724,513	\$21,724,513	
New	\$0	\$0	\$0	\$532	\$8,767	\$44,618	\$243,634	\$259,476	\$278,440	\$282,360	\$399,941	\$417,191	\$2,035,059	\$7,763,148	\$11,321,972	
Subtotal	\$1,987,817	\$1,627,075	\$1,704,441	\$1,814,246	\$1,829,150	\$1,845,085	\$2,063,468	\$2,059,943	\$2,078,906	\$2,182,826	\$2,210,482	\$2,227,567	\$23,631,107	\$29,507,661	\$33,046,486	
Total Expenses	\$10,666,777	\$10,326,822	\$10,492,618	\$10,664,611	\$10,782,126	\$10,880,587	\$11,181,496	\$14,087,827	\$14,106,791	\$14,596,110	\$15,006,743	\$15,411,419	\$148,223,927	\$247,422,954	\$274,931,694	
PROFIT/(LOSS)	(\$967,227)	(\$60,278)	(\$686,620)	(\$965,864)	(\$963,740)	(\$1,663,362)	(\$1,425,397)	(\$925,073)	(\$22,795)	(\$215,179)	(\$447,974)	(\$265,379)	(\$8,328,787)	\$1,847,944	\$3,416,199	
TRANSFERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
RETAINED EARNINGS JULY 1	\$26,362,876	\$25,395,649	\$25,395,372	\$24,648,852	\$23,962,988	\$22,999,249	\$21,335,887	\$19,910,490	\$15,035,416	\$15,012,621	\$14,797,442	\$14,349,468	\$26,362,876	\$14,084,089	\$15,932,033	
RETAINED EARNINGS JUNE 30	\$25,395,649	\$25,395,372	\$24,648,852	\$23,962,988	\$22,999,249	\$21,335,887	\$19,910,490	\$15,035,416	\$15,012,621	\$14,797,442	\$14,349,468	\$14,084,089	\$19,348,232	\$15,932,033	\$19,348,232	

The Auditor of Public Accounts is conducting a special review of the budgeting, accounting and other financial information system and internal controls over these systems. The detailed objectives of the review are listed below including the starting and end date of the audit work. The Auditor of Public Accounts intends to issue the report on this work by early January, 2004.

Audit start: November 10, 2003  
Scheduled end: December 15, 2003

### Audit Objectives

1. **Determine that VITA's services are outlined in a business plan in sufficient detail to be used by divisions as their guiding principles.**
2. **Determine that business directorates are supported by automated systems required to perform the business functions.**
3. **Determine that VITA's business processes have adequate internal controls to protect the assets of the Commonwealth.**
4. **Determine that VITA continues to make business decisions based on valid and reliable data in conformity with their business plan.**
5. **To compare the cost of VITA operations, especially overhead, to pre-VITA information and estimates to determine the reasonableness of increases or decreases.**
6. **Examine compliance with State and Federal laws and regulations.**