



## COMMONWEALTH of VIRGINIA

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

*Philip A. Leone  
Director*

*(804) 786-1258*

June 8, 2000

### MEMORANDUM

TO: Philip A. Leone

FROM: Glen S. Tittermary

SUBJECT: Approval of Systems Development Rates

On May 16, 2000, the Department of Information Technology (DIT) submitted for the Commission's approval a request to modify the rate structure for Systems Development services, and new rates for the revised billing elements. DIT's Systems Development Division provides various systems support and programming services to State agencies, including LAN support, Web design, and communications design services.

The purpose of the requested chargeback structure is to bring the billing categories into line with the more diverse range of services now provided by DIT, and to prepare for "banding" of DIT positions in the systems development area. Since most of the systems development cost is associated with salaries for employees, the billing structure is based on employee position levels. The revised structure consists of nine billing elements, which DIT is calling "Service Groups," in increments of eight dollars. Eight of the Service Groups are for DIT staff categories and one is for third-party consultants. The proposed rates range from \$41 per hour to \$97 per hour. These amounts include both the direct recover of salary and benefits and the indirect overhead for DIT. A table

MEMORANDUM

June 15, 2000

Page 2

comparing the existing and proposed rate structures is attached for your information.

In assigning staff from the existing billing elements to the new Service Groups, DIT has generally moved staff to lower billing categories. That is, DIT is charging less per hour under the new plan. Of 23 positions in the System Development Division, charges for 18 are reduced under the new structure, and charges for five are increased. The size of the reductions ranges from \$2.50 per hour (3%) to \$18.50 per hour (22.2%). The net effect is a projected reduction of total revenue for the System Development Fund of about \$100,000. DIT projects that this reduction will have minimal impact on fund balances.

The proposed billing structure provides for uniform rates, lower costs for agencies, and aligns the billing elements with State-mandated position banding. Therefore, I recommend that the Commission approve the proposed rate structure and rates requested by DIT.

gst