



Robert E. Antonacci II, CPA
Comptroller

COUNTY OF ONONDAGA

*Office of the
County Comptroller*

*John H. Mulroy Civic Center, 14th Floor
421 Montgomery Street
Syracuse, New York 13202-2998
(315) 435-2130 • Fax (315) 435-2250
www.ongov.net*

James V. Maturo
Deputy Comptroller

Thomas G. Squires
Deputy Comptroller

January 12, 2010

Members of the County Legislature
The Honorable County Executive
The Deputy County Executive
The Chief Fiscal Officer
The Chief Information Officer
The Clerk of the County Legislature
The Reproduction Services Supervisor

As requested by the Ways & Means Committee our office conducted an audit of the Print Shop. Our report is enclosed herewith.

The net direct cost for Print Shop operations in 2008 was \$386,463. These direct costs must be compared to the outside cost of identical print services obtained through request for proposal or other bidding methodology to calculate any potential savings from closing the Print Shop.

In closing, we respectfully suggest the projected savings, if any, achieved through outsourcing print services be weighed against the qualitative benefits of operating the Print Shop in-house in determining whether to continue or cease Print Shop operations.

Sincerely,

Robert E. Antonacci II, CPA



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Casey Jordan, Chairman, Ways and Means Committee
401 Montgomery Street
Court House
Room 407
Syracuse, New York 13202

As requested by the Ways and Means Committee, our office has conducted an audit of the Print Shop. This report provides background and audit methodology, overview of the Print Shop, comparison of 2008 actual costs calculated in the audit to the Department of Management and Budget's (DMB) costs noted in the 2010 Budget Presentation, a listing of qualitative factors related to the Print Shop and recommendations to enhance efficiency and cost savings of the Print Shop.

Introduction

The 2010 Tentative Onondaga County Budget proposed eliminating the Print Shop at an estimated savings of \$200,000.

The 2010 Adopted Budget funded the Print Shop until June 30, 2010 in order to review the cost of the Print Shop and evaluate the cost of utilizing outside vendors.

The purpose of our audit was to determine the actual direct cost of the Print Shop. While the terms "indirect" cost and "allocation of overhead" may be confusing, our audit in its simplest terms is meant to provide reasonable assurance as to the actual direct cost of operating the Print Shop or the inverse, the dollar amount to be saved by closing the Print Shop assuming in theory no printing of any kind.

Our report is to be used by decision makers to compare the County internal cost to proposed fees to be charged by outside print vendors resulting in a true comparison of the two methods.

The Department of Management & Budget (DMB) is charged with ascertaining the outside cost by request for proposal (RFP) or other bidding methodology.

In order to reach a proper conclusion, the direct cost ascertained by this audit must be compared to total required printing of each department actually done by the Print Shop. It is suggested each department using print services properly catalog and document all printing needs so the outside fees can be retrieved and compared to the actual cost incurred by the County.

Background and Audit Methodology

The scope of our audit included properly determining which cost to include in our report for comparison purposes.

Direct costs are cost specific and distinct to the Print Shop. These costs are of a nature that eliminating them would not require another department to incur them. The County by eliminating said costs would actually save money. These costs are Salaries, Equipment Leases, Supplies and Materials, Benefits and utilities directly used by the Print Shop.

Indirect costs are general government expenditures allocated to departments or programs. Based on Federal & State guidelines, departments are charged overhead cost based on a number of criteria as if each department or program was a separate entity.

Indirect costs in most situations do not go away if the department downsizes or eliminates the program.

With regard to the Print Shop, indirect costs include Maintenance in Lieu of Rent (MLR) and Information Technology (IT) overhead.

If the Print Shop were closed it is our opinion there would be no decrease in the operational cost of the Court House or a significant effect on IT as to reduce the overall cost of operating the IT department. Accordingly, these costs have been determined to be indirect. This finding is also consistent with the treatment accorded them in the Budget process.

Overview

The Print Shop is located in the basement of the Court House and managed by Information Technology (IT). Staff includes the Reproduction Services Supervisor, Duplicating Machine Operator I and Duplicating Machine Operator II.

In adopting the 2010 Budget, the Onondaga County Legislature appropriated funds for the first six months of 2010 in the amount of \$232,873.

In support of the audit 2008 cost calculation, the following was reviewed:

- Payroll register 26 for 2008
- Genesys for CSEA Union and New York State Retirement Plan Tier
- New York State and Local Retirement System 2008 Annual Invoice
- Onondaga County Employees Benefits Enrollment Form for Health and Dental Plan coverage
- Xerox Lease agreements
- Onondaga Printing Equipment Co. Lease Renewal agreements
- Onondaga Printing Equipment Co. Preventative Maintenance Renewal Contracts and Purchase Orders
- Onondaga Printing Equipment Co. Annualized Purchase Order for miscellaneous parts and maintenance on various AB Dick Equipment not covered under the maintenance agreement

- Paper purchases from International Paper Co., Hummels Office Equipment, Presstek, Inc., and Xerox Corp.
- Bid proposal for the computerized paper cutter from NY Printing Systems
- Various related claims and invoices
- Access Database maintained by Information Technology (IT) tracking Print Shop job requests as a basis for billing departments

Print Shop Costs

The chart below represents Print Shop costs presented by the Department of Management and Budget (DMB) during the 2010 budget process compared with what Audit calculated to be costs savings if the Print Shop were to close. Certain allocated costs were not included, as other departments will absorb them if the Print Shop closed (i.e. MLR, IT Overhead).

	<u>2008 Actual Per Budget Presentation</u>	<u>2009 Budget Per Budget Presentation</u>	<u>2008 Adjusted Actual Per Audit</u>
<i>Appropriations</i>			
101 Salaries	\$ 110,839	\$ 116,572	\$ 112,816
413 Leases	\$ 230,000	\$ 230,000	\$ 188,157
300 Supplies & Materials Expense	\$ 55,000	\$ 50,000	\$ 51,400
120 Employee Benefits % of Total Salaries	39.3%	41.2%	38.0%
Employee Benefits Costs	\$ 43,560	\$ 48,028	\$ 42,904
Subtotal	\$ 439,399	\$ 444,600	\$ 395,277
<i>Indirect Costs</i>			
Maintenance in Lieu of Rent (MLR)	\$ 59,863	\$ 59,863	\$ 4,713
IT Overhead	\$ 19,188	\$ 19,188	\$ -
Subtotal	\$ 79,051	\$ 79,051	\$ 4,713
Total Expenses	\$ 518,450	\$ 523,651	\$ 399,990
Less: Other Revenues Outside Agencies	\$ 9,578	\$ -	\$ 13,527
Total Net Expenses	\$ 508,872	\$ 523,651	\$ 386,463

The 2008 Adjusted Actual net expense calculated is for work related to in excess of 8,000,000 impressions and over 4,000 jobs orders. The impression and job information totals were taken from the 2008 County Access Detail database for the Print Shop. Comparing this report of impressions to the report from Xerox plus the Offset Printers totals noted impressions per the Access Detail over by 200,000. IT Staff stated this could be due to an incorrect calculation on job requests.

In addition to these costs, there was \$123,050 of outside printing costs for 2008.

Qualitative Factors

In addition to the costs in the above section, certain other factors of the operation equate to dollar terms. These factors include:

- Convenience of location (i.e. no need to drive elsewhere means quick response time)
- Security of documentation (i.e. ability of County employee to observe documents)

Recommendations

The following recommended cost savings measures are based on audit fieldwork and interviews with the Print Shop Staff:

- Suggested retirement by the Duplicating Machine Operator I and go part time to help save money. His gross salary for 2008 was \$29,285.
- Charge the Cultural Resource Center (CRC) for work done by the Print Shop. A letter dated August 11, 2009 from Stephen Butler, Executive Director, CRC, stated “we have received printing as in-kind from Onondaga County for the last thirteen years.” In 2008 the work requested by the CRC totaled \$3,200.
In the course of our audit we noted another request in 2009 that was not billed to CRC. The CRC ordered palm cards for a particular theatre presentation in 12/09. To be economical, the Print Shop printed and cut 4 color palm cards on one 8 X 11 card stock. The final product was 6,000 pieces. The CRC said they were too small and wanted them done over. The Print Shop did not do them over due to other pressing jobs. As a note, we observed the cards noting them attractive and readable.
- Charge a market-based rate to outside agencies.
- Better planning, communication and timely submission of reoccurring jobs by County Departments in order to have the jobs done when needed at the most reasonable cost. For example, it is less expensive to run a job on the Offset Printer at \$.0205/sheet taking a two day process to print and dry versus run on the Xerox 6100 Black/White Printer at \$.0595/sheet and done in one day.
- Establish Countywide Print Shop request guidelines for consistency and price controls.
- Recognize the flexibility of the Print Shop to “print on demand.” Deadlines can be met at no additional cost versus an outside vendor whose turnaround time may not be as expedient or may do so at an additional dollar cost to the County.
- Eliminate Xerox Squarefold Booklet Maker, as it appears just the CRC and Syracuse Symphony jobs require the bookmaker. The Reproduction Services Supervisor-Print Shop stated he could go offline and purchase a bookmaker costing anywhere from \$200 to \$10,000 versus \$1,592 /monthly lease charge paid to Xerox.
- The current lease with Xerox expires in August 2011. In February 2009 the County met with Xerox to discuss renegotiations of the lease. In the limited review of the “new” lease, it appears the County would upgrade the machines and in particular, the ability to do more color jobs. With the machine upgrades, it may be possible to capture some of the County’s \$123,050 in print jobs that went to outside print vendors. The upgrades would also provide more environmentally friendly and energy efficient machines.
- During the review we noted the cost per page charged to users of the Print Shop is based on a determination IT made in 2006. In our review it appears the calculation of IT’s

determined costs did not match the pricing sheets used to charge the departments. IT's determined 1-sided color costs appear to be lower than the prices charged to County Departments. It is recommended pricing costs be reviewed to reflect expenses associated with the Print Shop.

Conclusion

The net cost for Print Shop operations in 2008 was \$386,463. We are not aware of any reason to believe the cost for 2009 or future years would be significantly different.

In order to make a decision as to whether the County should continue to operate a Print Shop operation a multi-step analysis must be utilized. First, the direct cost ascertained by this audit must be compared to the outside cost for identical print services obtained through request for proposal or other bidding methodology. Next, the projected savings, if any, should be weighed against the qualitative benefits derived from operating an in-house Print Shop operation. Finally, it must be decided whether any projected savings outweighs those qualitative benefits. If so, the proper decision would be to cease Print Shop operations and rely on outside vendors for those services. If not, the Print Shop should remain operating and management should seek to enhance related revenues and increase efficiency of that operation.

Finally, annual review of operations as described above should be conducted to ensure changing conditions, such as technological advancements and change in services required, do not render the decision made obsolete. To accomplish this review, it is critical that the print services provided be properly catalogued and documented so that outside fees can be compared to the actual cost of operating an in-house Print Shop.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Antonacci II CPA". The signature is written in a cursive style with some capital letters.

Robert E. Antonacci, II, CPA