STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet http://www.osa.state.nc.us

Leslie Merritt, Jr.
State Auditor

August 30, 2007

Mr. George Bakolia, State Chief Information Officer
N. C. Office of the Governor
N. C. Office of Information Technology Services
Raleigh, North Carolina 27619-7209

Dear: Mr. Bakolia:

We have completed our limited information systems (IS) audit of the application controls for the Information Technology Services (ITS) MICS Billing System, the follow-up of findings from last year's general controls review and the ITS Service Level Agreement (SLA) process. This audit was conducted during the period from December 12, 2006, through March 12, 2007. The audit was conducted in accordance with *Government Auditing Standards* and *Information Systems Audit Standards*.

We limited the scope of our review of the MICS Billing System since the system will be replaced in the 2008 fiscal year. We reviewed the changes in the MICS Billing System since our last review of the application system. We also reviewed access rights and recomputed a sample of MICS billing system invoices. We did not identify any significant weaknesses in our limited review of the MICS Billing System.

We performed a follow-up of audit findings from our 2005 general controls review. As a result of our follow-up review, we found that ITS has taken corrective action to resolve all findings from the previous audit.

Our SLA review included gaining an understanding of the SLA process and the incident tracking system (iWise), the monitoring capabilities of the iWise system, and evaluating the performance of ITS in achieving its goal for ensuring customer needs are met in a timely manner. The results of this review are discussed in this management letter.

Please contact me if you have any questions about these audit findings and recommendations. We express our appreciation to you and your staff for the cooperation extended to us during our audit.

Sincerely,

LESLIE W. MERRITT, JR., CPA, CFP
STATE AUDITOR

Charles T. Williford

Charles T. Williford, CPA.CITP, CISA, CFE, CPM
Director of Information Systems Audits

AUDIT FINDING 1: ITS SERVICE LEVEL AGREEMENT PROCESS

We reviewed "Service Level Agreement Reports for Incidents Resolved" for five agencies. The incidents for these reports dated from late June 2006 thru December 31, 2006. We combined the data of resolved incidents for all these agencies to see if the targeted resolution time and the target percent of calls resolved on time as stated in the SLAs are being met.

From our review, we found that the target resolution time and the target percent of calls resolved on time for priority 2 incidents have not been met for agencies selected in our review. In addition, the target resolution time for priority 3 incidents were not met for the agencies selected.

Recommendation: The Service Level agreement process is still in the early stages of implementation, is constantly being reviewed by ITS, and is subject to revision. However, due to the expectations of ITS customers, ITS should strive to meet the targeted resolution time and the target percent of calls resolved on time as stated in the signed Service Level Agreements.

Auditee's Response: The Office of Information Technology Services produces monthly reports, constantly monitors performance against Service Level Agreements and reviews this information with customers. A review of incidents resolved in the 90-day period ending on June 30, 2007 shows a substantial improvement in performance against target goals when compared to the period assessed in this audit. Aggregate results from the current reports for the five agencies included in this audit show that ITS is now exceeding the target goals across all priorities. Therefore, we consider this issue resolved at this time.