



# STATE OF NORTH CAROLINA

**PERFORMANCE AUDIT**

**OFFICE OF INFORMATION TECHNOLOGY SERVICES**

**STATE TERM CONTRACT**

**FOR MICROCOMPUTERS AND PERIPHERALS**

**JULY 2013**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

## **EXECUTIVE SUMMARY**

### **PURPOSE**

This audit report evaluates the administration of state term contract 204A, a contract that covers the purchase of microcomputers and related peripheral components by state agencies.

### **BACKGROUND**

State agencies can purchase computers, servers, and peripherals through online catalogs maintained by four vendors who hold state term contract 204A. The total amount purchased under the contract is approximately \$100 million annually.

### **KEY FINDINGS**

- The state's contract discount of 7% to 37% was not reflected in one of the four vendor online catalogs for approximately a week.
- Only once, and in 2008, has ITS reviewed agency compliance with procurement requirements, such as verifying correct pricing, usage of appropriate term contract, and proper approvals.
- During the past three years, less than 3% of the 1,247 state employees with authority to approve purchase orders have been trained on information technology procurement policies and procedures.

### **KEY RECOMMENDATIONS**

- ITS should conduct more frequent spot checks of the vendor catalogs.
- ITS should establish a policy and frequency to conduct periodic compliance reviews and conduct the reviews in accordance with their policy.
- ITS should require employees with online purchasing authority to attend training.

The key findings and recommendations in this summary are not inclusive of all the findings and recommendations in the report.



Beth A. Wood, CPA  
State Auditor

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**Office of the State Auditor**

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**AUDITOR'S TRANSMITTAL**

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July 31, 2013

The Honorable Pat McCrory, Governor  
The General Assembly of North Carolina  
Chris Estes, State Chief Information Officer

Ladies and Gentlemen:

We are pleased to submit this performance audit titled "*Office of Information Technology Services – State Term Contract for Microcomputers and Peripherals.*" The audit objectives were to determine (1) whether vendors are charging the prices in the term contract; and (2) how ITS monitors the extent to which state agencies are using term contract 204A and the adequacy of E-Procurement system controls.

State Chief Information Officer Estes reviewed a draft copy of this report. His written comments are included after each finding and in the appendix.

The Office of the State Auditor initiated this audit to ensure the State is receiving the full benefits of the term contract and the best value for the items purchased.

We wish to express our appreciation to the staff of the Office of Information Technology Services for the courtesy, cooperation, and assistance provided us during the audit.

Sincerely,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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## **INTRODUCTION**

### **BACKGROUND**

State term contracts are established by combining statewide demand for commonly used items into one term contract, which results in savings to those entities that use the term contract and eliminates the need for each agency to solicit separate bids. Information Technology Services (ITS) has established state term contract 204A for microcomputers and peripheral components, which must be used by all state agencies. Universities, community colleges, and local governments can also use this state term contract. The total amount purchased under state term contract 204A is approximately \$100 million annually.

Additionally, ITS has implemented a volume purchase initiative with the goal of achieving cost savings and procurement efficiencies. Three times per year, “bulk purchases” of computers (i.e., desktops and laptops) and peripherals (i.e., monitors, keyboards, etc.) are made by combining the purchasing needs of all state agencies into one procurement transaction under state term contract 204A. ITS represents that over the past three years, bulk purchases of computers have saved the State an average of \$6.7 million annually, and bulk purchases of printers have saved the State an average of \$230,354 annually. These savings were not verified as it was outside the scope of the audit.

State agencies use the E-Procurement system to purchase computers and peripherals. E-Procurement is an electronic purchasing system that allows users to process purchase requisitions and purchase orders in an automated manner, including obtaining proper approvals.

A vendor, currently Accenture, is responsible for providing operational expertise and application management over the E-Procurement system. For state term contract 204A, four vendors are responsible for updating the online catalogs that are accessed via the E-Procurement system.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The audit objectives were to determine:

1. Whether vendors are charging the prices in the term contract; and
2. How ITS monitors the extent to which state agencies are using term contract 204A and the adequacy of E-Procurement system controls.

The Office of the State Auditor initiated this audit to ensure the State is receiving the full benefits of the term contract and the best value for the items purchased.

The audit scope included state term contract 204A for microcomputers and peripheral components with effective dates from October 1, 2010, through September 30, 2013. This contract is administered by Statewide IT Procurement within ITS. We conducted the fieldwork from November 2012 to March 2013.

## PERFORMANCE AUDIT

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To determine whether vendors are charging the prices agreed upon in the term contract, we inspected ITS policies and procedures, interviewed key staff, and observed operations.

To determine how the contract administrator monitors the extent to which state agencies are utilizing state term contract 204A, we inspected ITS policies and procedures, interviewed key staff, and inspected documentation supporting any compliance reviews performed by Statewide IT Procurement.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

As a basis for evaluating internal control, we applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components, which are (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit under the authority vested in the State Auditor of North Carolina by *North Carolina General Statute 147.64*.

## **FINDINGS, RECOMMENDATIONS AND RESPONSES**

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### **1. PRICING ERRORS DEMONSTRATE NEED TO STRENGTHEN PROCEDURES**

Information Technology Services (ITS) is responsible for administering state term contract 204A, which covers microcomputers and peripherals, such as monitors, keyboards, and docking stations. Administering the term contract includes ensuring vendors are charging the prices agreed upon in the term contract. Internal control weaknesses were identified over the vendor catalogs, which leads to the increased risk that vendors can overcharge state agencies for information technology purchases under state term contract 204A.

#### **An Online Catalog Contained Incorrect Pricing**

During January 2013, pricing errors were observed with the Hewlett-Packard punch-out catalog where prices did not reflect the State's discount of 7% up to 37%.<sup>1</sup> The Office of the State Auditor notified ITS of the pricing errors observed, so ITS was able to quickly address the issue with Hewlett-Packard. The pricing was incorrect for approximately one week. During this period, there were no purchases made through the online catalog.

In early January 2013, Hewlett-Packard performed a system update that caused the prices of all items in the State's punch-out catalog to be reflected at United States (US) list prices instead of the discounted prices per the state term contract. For example, a ProBook 6570b Notebook was listed in the State's punch-out catalog at \$1,371, which was the US list price. It did not reflect the State's discount, which ranges from \$123 (9%) to \$452 (33%).<sup>2</sup>

State agencies can purchase items for sale under state term contract 204A from four vendors via punch-out catalogs within the E-Procurement system. Punch-out catalogs are vendor-maintained sites within an organization's electronic purchasing system. State agency users can select items within E-Procurement, and the system re-directs them to the vendor-maintained site with the items for sale at the agreed upon prices per the state term contract.

#### **ITS Does Not Retain Documentation Of Spot Checks Of Vendor Catalogs Or Reviews Of E-Procurement Reports**

ITS documentation of its spot checks of the vendor punch-out catalogs, including prices and items for sale, does not exist. There is, however, evidence via e-mail trails that some reviews are completed. ITS reports that it performs quarterly reviews of E-Procurement reports to determine if any state agencies were over-charged by the vendors; however, evidence of the quarterly reviews is not retained. Therefore, there is no evidence the spot checks and reviews are sufficient and completed consistently.

ITS says that it conducts monthly spot checks on each of the four vendor punch-out catalogs to ensure the prices and items for sale comply with the terms and conditions of

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<sup>1</sup> Discounts range from 7% to 37% depending upon the item purchased and the quantity.

<sup>2</sup> Discounts for laptops range from 9% to 33% depending upon the item purchased.

## FINDINGS, RECOMMENDATIONS AND RESPONSES

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state term contract 204A. ITS stated that the spot checks are done by selecting and reviewing random items in each vendor's catalog; however, there was no documentation showing the reviews were conducted.

ITS management cannot be assured the spot checks are occurring and are effective without documentation of their execution by staff. Failure to properly document the spot checks and quarterly reviews of E-Procurement reports could result in vendors overcharging state agencies for information technology purchases under state term contract 204A.

According to state law,<sup>3</sup> state agencies are responsible for establishing and maintaining a strong and effective system of internal control. Internal controls should be designed to provide reasonable assurance regarding compliance with certain provisions of laws, regulations, contracts, and grant agreements as well as the efficiency and effectiveness of operations. Internal control systems must be clearly documented, and such documentation must be readily available for examination.

### ***Recommendations:***

ITS should consider performing weekly spot-checks, instead of monthly, since vendors can change their punch-out catalogs at any time (i.e., daily).

ITS should document spot its checks of the vendor catalogs and quarterly reviews of the E-Procurement purchasing reports.

### ***Agency Response:***

ITS agrees that weekly spot checks are preferable, but weekly reviews are not feasible with current level staffing levels. ITS will review this staffing requirement with all other priority requirements as we begin addressing a broad range of information technology issues. A statewide IT Plan scheduled for completion in the fall will detail the ITS initiatives.

ITS agrees. The Statewide IT Procurement Office is developing documentation procedures that demonstrate controls over punch-out catalogs and reviews of E-Procurement reports. Documentation will include, but not limited to, the date of review, issues noted, and actions taken to correct issues.

We are realigning staff and management, and awaiting approval of the 2013-2015 budget, before we set agency priorities for the coming fiscal year. As a result, we cannot provide specific dates for implementation of corrective actions. We will be glad to report our actions and progress on these recommendations at a later date.

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<sup>3</sup> [North Carolina General Statute 143D-8.](#)



## FINDINGS, RECOMMENDATIONS AND RESPONSES

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### *Issue For Further Consideration:*

The Governor and/or General Assembly should consider whether the following ITS proposed rule change to North Carolina Administrative Code 09 NCAC 06B .1305 is in the best interest of the State.

The rule currently states: “ITS **shall** be responsible for compliance reviews on purchasing practices **at all agencies**. The purpose of the compliance review shall be for determining if an agency is complying with ITS’ purchasing statutes and rules adopted thereunder, and whether it should continue having the same level of delegation, have it reduced, or if it qualifies for an increase.”

The ITS proposed rule states: “ITS **may** conduct compliance reviews on purchasing practices **at any purchasing agencies**. The purpose of the compliance review shall be for determining if any agency is complying with IT purchasing statutes and rules.”

If the rule change is adopted, compliance reviews will no longer be **required** to be performed, but can be performed **if ITS deems** it necessary.

*[Note: Emphasis added for comparison of proposed changes to the NCAC.]*

## 2. **ITS OVERSIGHT HAS NOT ENSURED USER COMPLIANCE AND ADEQUATE E-PROCUREMENT SYSTEM CONTROLS**

Information Technology Services (ITS) has developed and disseminated IT procurement policies and procedures to state agencies. ITS is also responsible for internal control related to outsourced business operations, such as the E-Procurement system provided to the State by Accenture. ITS should have processes in place to enable and ensure compliance by state agencies and to ensure the E-Procurement system has adequate controls. In both cases, weaknesses were detected in ITS oversight.

### **ITS Has Not Determined Agency Compliance With Procurement Requirements**

ITS conducted one compliance review in 2008. No other compliance reviews have been performed. Compliance reviews consist of, among other items, verifying proper approvals were obtained, the correct state contract was used, and correct pricing was used. The reviews ensure state agencies are complying with the procurement requirements.

If compliance reviews are not performed, ITS cannot be assured that state agencies are using applicable state term contracts, obtaining ITS approvals when required, and getting the best value for the State.

## FINDINGS, RECOMMENDATIONS AND RESPONSES

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Currently, the North Carolina Administrative Code<sup>4</sup> requires ITS to perform compliance reviews.

### **Training Optional - Less Than 3% Of Users Trained During 2010-2012**

ITS offers periodic training on IT procurement policies and procedures to state and non-state agencies. The training offered is voluntary and not required. If users are not receiving training, state agencies may not be complying with policies and procedures and may not be receiving the best value for the State.

During the period January 1, 2010, through December 31, 2012, training on IT procurement policies and procedures was provided to less than 3% of the 1,247 E-Procurement users who have authority to approve purchase orders. ITS has not collaborated with the Office of State Personnel to make the IT procurement policies and procedure training mandatory for state agency procurement personnel with delegated purchasing authority.

Leading supply chain organizations require procurement staff to attend periodic procurement training. In addition, some organizations have implemented procurement certification programs that are tied to individual delegations of authority.

The National Association of State Procurement Officials (NASPO) publication *State & Local Government Procurement: A Practical Guide* states, “Executive branch officials and the central procurement office should encourage professional competence by providing funding for procurement staff participation in training programs...” This publication also states, “There is no question that the experience of day-to-day operation contributes substantially to the growth of knowledge and expertise of a government procurement office. As valuable as this experience is, it represents at best an unstructured form of education. It needs to be accompanied by formal training and instruction programs.”

### **Agencies May Not Be Obtaining Necessary Purchase Approvals From ITS**

State agencies may not be obtaining the necessary purchase approvals because the E-Procurement system has not been configured to automatically route information technology purchases above an agency’s delegated authority to ITS. Therefore, state agencies may be purchasing information technology items above their delegated authority, may not be using appropriate term contracts, and/or may not be receiving the best value for the State.

Currently in E-Procurement, the system allows agency purchasing personnel to bypass Statewide IT Procurement in the approval chain. For Statewide IT Procurement to be included in the approval chain, state agency purchasing personnel must manually select Statewide IT Procurement. Therefore, E-Procurement will allow agency purchasing

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<sup>4</sup> [09 North Carolina Administrative Code 06B .1305](#)

## FINDINGS, RECOMMENDATIONS AND RESPONSES

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personnel to procure information technology goods and services above their delegated authority without obtaining the proper ITS approval.

According to North Carolina General Statutes,<sup>5</sup> the North Carolina Administrative Code,<sup>6</sup> and IT procurement policies and procedures,<sup>7</sup> the general IT purchasing delegation or benchmark is \$25,000 unless specific authorization is given by the State Chief Information Officer (SCIO). This delegation applies to all agencies, community colleges, and local governments. However, the approval threshold for purchases under state term contract 204A is higher at \$75,000 due to the nature of the term contract. Regardless of the delegation level, the E-Procurement system will allow agency personnel to circumvent required ITS approval.

Procurement of IT goods and services above the agency delegation must be reviewed by Statewide IT Procurement prior to solicitation and again prior to awarding the contract.

### **ITS Is Not Provided Independent Assurances From Accenture That Controls Are Operational And Effective**

The State has not required Accenture, the current vendor that operates the state's E-Procurement system, to have information technology controls<sup>8</sup> periodically tested by an independent party. During fiscal year 2012, \$3.2 billion in procurement transactions were processed in the E-Procurement system. The lack of appropriate controls over E-Procurement could lead to system outages, processing errors, or loss of procurement data.

E-Procurement, an Ariba product, is a web-based application licensed to the State. E-Procurement is floor-hosted by ITS, which means the application resides on a server at ITS and a vendor, Accenture, provides operational expertise and application management.

Without independent testing of the vendor's controls, the State cannot be certain Accenture has implemented, for example, change management, problem management, incident management, and application maintenance controls and that these controls are operating effectively. The State relies on Accenture's information technology controls in these areas.

While there is a Service Level Agreement (SLA) in place between Accenture and the State which is monitored by the Purchase & Contract Division of the Department of Administration, the SLA is not sufficient to ensure appropriate information technology controls are in place within the vendor's operation. As such, there is limited oversight by the State of information technology controls in place at Accenture.

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<sup>5</sup> [North Carolina General Statute 143-53.1.](#)

<sup>6</sup> [09 North Carolina Administrative Code 06B .1304](#)

<sup>7</sup> “. . . the general IT purchasing delegation/benchmark shall be \$25,000 unless specific authorization is given by the SCIO. This delegation is for all Agencies, community colleges and local governments except universities.”

<sup>8</sup> Information technology controls are specific activities performed by people or systems designed to ensure business objectives are met. As defined in GAGAS, information system (IS) controls consist of those internal controls that are dependent on information systems processing and include general controls and application controls.

## FINDINGS, RECOMMENDATIONS AND RESPONSES

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According to state law,<sup>9</sup> management is responsible for internal control which includes internal control of outsourced business operations, such as procurement operations provided to the State by Accenture. An industry best practice is for organizations which provide outsourced operations to provide their clients an independently prepared report which focuses on information technology risks.<sup>10</sup>

### ***Recommendations:***

ITS should implement regular compliance reviews at state agencies. ITS should schedule reviews based upon a risk assessment (i.e., agency spend, prior issues identified, etc.).

ITS should work with appropriate agencies to deliver comprehensive procurement training and ensure IT procurement training is required for agency personnel with purchasing authority. In addition, ITS should consider implementing a procurement certification program. If a participant successfully completes the procurement certification program, ITS could increase the individual's delegation of authority, which would improve efficiencies within ITS and at state agencies. Compliance reviews can then be used to monitor whether the increased delegations are being properly managed.

ITS should determine the cost/benefit of reconfiguring E-Procurement to automatically route information technology purchases above an agency's delegated authority to Statewide IT Procurement for approval.

ITS should obtain a SOC 2,<sup>11</sup> Type II report, which is a long form report describing the detailed testing and includes tests of design and operating effectiveness, from Accenture, the vendor providing operational expertise and application management over E-Procurement. ITS should inspect the SOC 2 report for any gaps in the vendor's information technology controls.

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<sup>9</sup> [North Carolina General Statute 143D-7.](#)

<sup>10</sup> In April 2010, the American Institute of Certified Public Accountants (AICPA) issued Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on Controls at a Service Organization*. With SSAE No. 16, there are two new reporting options for examining controls at a service organization related to regulatory, technological, and business risks outside of financial reporting. Service Organization Control (SOC) 2 and 3 reports are focused specifically on information technology risks as they relate to security, availability, processing integrity, confidentiality, and privacy.

<sup>11</sup> A SOC 2 is a report on management's description of a service organization's system and the suitability of the design and operating effectiveness of controls as they relate to security, availability, processing integrity, confidentiality, and privacy.

## FINDINGS AND RECOMMENDATIONS

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### *Agency Response:*

ITS agrees. The State Chief Information Officer is placing more emphasis on compliance reviews. ITS reviews will be based not only on a risk assessment, but also any recurring procedural issues noted by the Statewide IT Procurement Office while reviewing agencies' normal submittals.

ITS agrees. There should be mandatory IT procurement classes for State agency procurement personnel; however, since our office does not have the authority to require agency procurement personnel to attend classes, we will recommend to the Office of State Personnel and to agencies that they mandate IT procurement training. Costs associated with mandated training are unknown at this time but will include more classes to cover the demand, as well as facilities and additional personnel to teach the classes.

ITS also agrees with the establishment of a procurement certification program. The recent Procurement Transformation project noted this issue and the Department of Administration, Division of Purchase and Contract is developing a solution for the State.

ITS agrees. Accenture has stated that it is not possible at this time to automatically add Statewide IT Procurement to an agency's approval flow because ITS is not part of the agency. ITS will identify costs associated with making the coding modifications and assess the cost/benefit of making changes.

ITS agrees. The Department of Administration, Division of Purchase and Contract established the existing E-Procurement system contract with Accenture. P&C has not previously required Accenture to submit a SOC 2, Type II report to the State; however, ITS will formally notify P&C of the audit finding and ask them to amend the contract to require periodic SOC 2 reports from Accenture. If SOC 2 reports are provided as part of the contract, ITS will inspect the reports for any gaps in the vendor's IT control.

As noted in our responses, ITS does not have the authority to implement corrective actions for all the recommendations. In addition, we are realigning staff and management, and awaiting approval of the 2013-2015 budget, before we set agency priorities for the coming fiscal year. As a result, we cannot provide specific dates for implementation of corrective actions. We will be glad to report our actions and progress on these recommendations at a later date.

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State of North Carolina  
Office of Information Technology Services

Pat McCrory  
Governor

Chris Estes  
State Chief Information Officer

July 10, 2013

The Honorable Beth A. Wood, CPA  
Office of the State Auditor  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Dear Ms. Wood:

We have reviewed the confidential draft of the audit entitled "Performance Audit - State Term Contract for Microcomputers and Peripherals" based on your evaluation completed in June 2013. Thank you for providing recommendations to improve IT procurement practices.

Here are our responses to the findings and recommendations:

**1. Pricing Errors Demonstrate Need to Strengthen Procedures**

**Recommendation:** Consider performing weekly spot-checks, instead of monthly, since vendors can change their punch-out catalogs at any time (i.e., daily).

**ITS Response:** ITS agrees that weekly spot checks are preferable, but weekly reviews are not feasible with current level staffing levels. ITS will review this staffing requirement with all other priority requirements as we begin addressing a broad range of information technology issues. A statewide IT Plan scheduled for completion in the fall will detail the ITS initiatives.

**Recommendation:** Document spot checks of the vendor catalogs and quarterly reviews of the E-Procurement purchasing reports.

**ITS Response:** ITS agrees. The Statewide IT Procurement Office is developing documentation procedures that demonstrate controls over punch-out catalogs and review of E-Procurement reports. Documentation will include, but not be limited to, the date of review, issues noted, and actions taken to correct issues.

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## **2. ITS Oversight Has Not Ensured User Compliance and Adequate E-Procurement System Controls**

**Recommendation:** ITS should implement regular compliance reviews at state agencies. ITS should schedule reviews based upon a risk assessment (i.e., agency spend, prior issues identified, etc.).

*ITS Response:* ITS agrees. The State Chief Information Officer is placing more emphasis on compliance reviews. ITS reviews will be based not only on a risk assessment, but also any recurring procedural issues noted by the Statewide IT Procurement Office while reviewing agencies' normal submittals.

**Recommendation:** ITS should work with appropriate agencies to deliver comprehensive procurement training and ensure IT procurement training is required for agency personnel with purchasing authority. In addition, ITS should consider implementing a procurement certification program. If a participant successfully completes the procurement certification program, ITS could increase the individual's delegation of authority, which would improve efficiencies within ITS and at state agencies. Compliance reviews can then be used to monitor whether the increased delegations are being properly managed.

*ITS Response:* ITS agrees. There should be mandatory IT procurement classes for State agency procurement personnel; however, since our office does not have the authority to require agency procurement personnel to attend the classes, we will recommend to the Office of State Personnel and to agencies that they mandate IT procurement training. Costs associated with mandated training are unknown at this time but will include more classes to cover the demand, as well as facilities and additional personnel to teach the classes.

ITS also agrees with the establishment of a procurement certification program. The recent Procurement Transformation project noted this issue and the Department of Administration, Division of Purchase and Contract is developing a solution for the State.

**Recommendation:** ITS should determine the cost/benefit of reconfiguring E-Procurement to automatically route information technology purchases above an agency's delegated authority to Statewide IT Procurement for approval.

*ITS Response:* ITS agrees. Accenture has stated that it is not possible at this time to automatically add Statewide IT Procurement to an agency's approval flow because ITS is not part of the agency. ITS will identify costs associated with making the coding modifications and assess the cost/benefit of making the changes.

**Recommendation:** ITS should obtain a SOC 2, Type II report, which is a long form report describing the detailed testing and includes tests of design and operating effectiveness, from Accenture, the vendor providing operational expertise and application management over E-Procurement. ITS should inspect the SOC2 report for any gaps in the vendor's information technology controls.

*ITS Response:* ITS agrees. The Department of Administration, Division of Purchase and Contract established the existing E-Procurement system contract with Accenture. P&C has not previously required Accenture to submit a SOC 2, Type II report to the State; however, ITS will formally notify P&C of the audit finding and ask them to amend the contract to require periodic SOC 2 reports from Accenture. If SOC 2 reports are provided as part of the contract, ITS will inspect the reports for any gaps in the vendor's IT controls.

As noted in our specific responses, ITS does not have the authority to implement corrective actions for all of the recommendations. In addition, we are realigning staff and management, and awaiting approval of the 2013-2015 budget, before we set agency priorities for the coming fiscal year. As a result, we



cannot provide specific dates for implementation of corrective actions. We will be glad to report our actions and progress on these recommendations at a later date.

Thank you again for the opportunity to respond to the draft audit. ITS looks forward to working with the Office of the State Auditor and others to improve the efficiency and effectiveness of information technology in delivering services to the state's citizens.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Estes".

Chris Estes  
State Chief Information Officer

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## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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Raleigh, North Carolina 27699-0601

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To report alleged incidents of fraud, waste or abuse in state government contact the:

Office of the State Auditor Fraud Hotline: 1-800-730-8477

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For additional information contact:

Bill Holmes  
Director of External Affairs  
919-807-7513

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This audit required 1,568 audit hours at an approximate cost of \$111,599. This cost represents less than 0.1% of the approximately \$100 million purchased annual under state term contract 204A.