



Commonwealth of Kentucky  
Finance and Administration Cabinet

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**Memorandum:**

**To:** Cabinet/Agency Budget Leads  
Fiscal Officers

**From:** Robin Fields Kinney, Executive Director *Robin Fields Kinney*  
Office of Administrative Services  
Finance and Administration Cabinet

**Date:** November 19, 2012

**Re:** IT Infrastructure Services - Financial Arrangements

The consolidation of information technology (IT) infrastructure services became effective November 1, 2012. Changes of this magnitude will take time to be fully implemented. This document outlines the plans around the financial arrangement of this consolidation for agencies and the Commonwealth Office of Technology (COT), how it will be handled for the remainder of FY 2013, and the plans for FY 2014. The primary goals for FY 2013 are budget certainty and simplicity for all affected agencies and COT. For FY 2014, the plans are to transition all IT infrastructure services to COT's rated services cost model.

**FY 2013 Interim Fiscal Approach**

FY 2013 will be a transition year and will involve a different approach for the remainder of the year (November 1, 2012 through June 30, 2013) than the plans for FY 2014 and beyond. The goals are to provide for the initial change brought on by the consolidation and to provide budget certainty for all affected state agencies. There are many issues that will need to be worked out with the consolidation and the assignment of about 250 state employees from around state government to COT. This complexity that is best addressed in the short-term with a simplified fiscal approach.

To those ends, COT will incur the salary and fringe benefit costs for the identified state employees detailed to COT as well as the payments for the identified IT infrastructure services contractors whose work will now be managed by COT. These will be the ONLY costs in FY 2013 that will be incurred by COT. Each affected agency will be billed for these costs by the Finance and Administration Cabinet during FY 2013.

All other IT infrastructure service expenses will continue to be the responsibility of each agency through June 30, 2013. These types of expenses include: IT infrastructure maintenance agreements, support costs for the employees and contractors placed under COT (travel, basic supplies, space/facilities), and lease payments on equipment. COT will work cooperatively with each agency in cases of lease extensions, extension of support agreements, equipment and software purchases, disposition of surplus equipment, or other immediate needs with multiple year consequences, on a case-by-case basis. Similarly, the need to replace equipment that becomes non-operational will be addressed on a case-by-case basis for the remainder of FY 2013.

One result of this approach for FY 2013 is that there will be no appropriation transfers from affected agencies to COT associated with the consolidation of IT infrastructure services.

## **FY 2013 Fiscal Process for Detailed Employees and Contractors**

**Employees** - Agencies will be billed by the Finance and Administration Cabinet on a monthly basis for the salary and benefits associated with each of the employees identified to be detailed to COT as of November 1, 2012. The bill will be based on the employee's salary and benefit cost that the agency was incurring PRIOR TO the detailing of employees to COT, to include any changes made through the enrollment in the 2013 plan year for health insurance. The amounts billed will be a static value pre-identified for each agency through the remainder of FY 2013. This means that the monthly amounts billed to each affected agency will change only due to the number of payrolls in each month (one in November, two in December through May, and one in June). Customized arrangements will be made for those employees that are funded through a federal grant program.

Agencies will be billed for those employees and contractors that are funded through a federal grant program based on actual hours worked in each program area. COT's timekeeping system will track hours worked by program and will have reporting capability for auditing purposes.

**Contractors** - Also, a number of IT infrastructure service contractors were also identified to be assigned to COT. The amounts billed will be a static value pre-identified for each agency through the remainder of FY 2013. Agencies will be billed by the Finance and Administration Cabinet on a monthly basis based on the remaining balance on each contractor's task order as of November 1, 2012. The monthly amounts will be determined by dividing the balance amount by the remaining 8 months in the fiscal year. Customized arrangements will be made for those contractors that are funded through a federal grant program.

Included in this letter are the amounts to be charged your agency for employees and contractors for November through June 30, 2013.

**FY 13 Billing Process** – For agencies that had employees or contractors that were identified to be detailed to COT, beginning in December, and each month thereafter in FY 13, charges will be charged monthly via IET and will be charged to object code E819 – Other IT services. Due to end of year closeout activities, charges for May and June will be charged at the beginning of June. The billing for November charges and June charges will consist of costs for one payroll for employees and one month for contractors. All other months will consist of costs for two payrolls for employees and one month for contractors. Your agency will receive under separate cover a request to provide accounting templates for each identified position, per employee and per contractor, prior to the first billing in early December.

Employees or contractors which are federally funded will be charged based upon actual hours worked per month. For contractors, the total amount will not exceed the amount remaining on existing task orders for the remainder of the fiscal year.

**Conclusion** - Again, the primary reason for the FY 2013 approach outlined above is to provide agencies with budget certainty. With this approach, agencies will only be responsible for the salary and benefit costs that were already budgeted to be incurred. This short-term solution also provides administrative ease for the remainder of FY 2013 until there has been time to establish updated IT infrastructure services rates for FY 2014. The information to determine the fiscal impact on each agency in FY 2014 will be gathered as a part of the upcoming assessment period that will be performed through a coordinated process involving each agency, COT, other parts of the Finance and Administration Cabinet, and the Office of State Budget Director.