

*A REPORT BY THE NEW YORK STATE
OFFICE OF THE STATE COMPTROLLER*

**Alan G. Hevesi
COMPTROLLER**



***NEW YORK STATE OFFICE FOR
TECHNOLOGY***

IMPLEMENTATION OF THE NYeNET

2002-S-13

DIVISION OF STATE SERVICES

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Report 2002-S-13

Mr. Michael McCormack
Director, Office for Technology
Empire State Plaza
PO Box 2062
Albany, NY 12220

Dear Mr. McCormack:

The following is our audit report addressing the practices and procedures of the Office for Technology related to the NYeNet implementation.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law. We list major contributors to this report in Appendix A.

Office of the State Comptroller
Division of State Services

August 18, 2003

EXECUTIVE SUMMARY

OFFICE FOR TECHNOLOGY IMPLEMENTATION OF THE NYeNET

SCOPE OF AUDIT

Over the years, government in New York State has built many networks to provide access to necessary data and services. These networks allow individual State agencies to exchange information with their business partners (such as counties, voluntary providers and vendors) in locations throughout the State. However, the networks are operated separately and are not always compatible with one another. In 1996, State and local officials decided the State needed a single mechanism to provide reliable and secure communication service across all levels of State government. In August 1996, the Office for Technology (OFT) introduced the “NYeNet,” which was envisioned as a unified telecommunications system. The NYeNet, whose telecommunications capacity derives from fiber-optic cables installed along the Thruway, was expected to reduce both the number of State networks and the cost of State government telecommunications. The NYeNet would also provide enhanced service by enabling users throughout the State to share information seamlessly across agencies and across levels of government, and to access advanced applications (e.g., the Department of Health’s Medicaid payment system) in a secure and user-friendly environment.

The Governor announced in July 2000 that the NYeNet was ready for service. A NYeNet Governance Council (now designated as the NYeNet Management Board) was created to help govern the NYeNet’s existence. However, final decision-making authority for the NYeNet rests with OFT, which is responsible for coordinating NYeNet activities and for providing the day-to-day resources to implement the NYeNet. Between August 1, 1996 and March 31, 2002, OFT’s records show that \$42.7 million was spent to implement the NYeNet.

Our audit addressed the following question about OFT’s implementation of the NYeNet during the period August 1996 through October 31, 2002:

- Has the NYeNet achieved its major goals?

AUDIT OBSERVATIONS AND CONCLUSIONS

Overall, we conclude that the NYeNet has not attained all of its major goals. The NYeNet has not become a common and unified statewide telecommunications network despite its highly touted capabilities and its announced readiness for service in July 2000.

Sound project management practices require identifying measurable goals for a project; studying a project's scope, feasibility and cost benefit; assuming accountability for the project's completion in a stated timeframe; and tracking project progress. However, OFT did not follow these project management techniques to implement the NYeNet, so it is difficult to estimate when the NYeNet will be able to deliver all the promised services. At the time of our audit, OFT has not made significant progress in consolidating the many disparate State networks, or in giving State government users shared access to significant State agency applications. The NYeNet does not enable a single State or local government user at a desktop computer to access all the agency information and services that users need to transact business. Furthermore, OFT cannot demonstrate that the NYeNet has reduced telecommunication costs to State and local governments. Since its inception in 1996, OFT data shows that the NYeNet experienced \$22.8 million in cumulative operating losses through March 30, 2002.

The NYeNet was supposed to be designed to meet the needs of its stakeholders in State agencies and in local government. However, we found that OFT did not maintain good communication with these users to determine what they needed from the NYeNet and what they wanted it to do. OFT also missed delivery dates for promised services without indication of when the NYeNet would be available, and how agencies and local government should prepare to use it. As a result, agency participation in the NYeNet is low.

Since OFT launched the NYeNet's implementation without comparing its costs and benefits to those of other communications alternatives, it is possible that another option would have been more economical than the NYeNet. At this point, however, the State has invested significant time, money and effort in the NYeNet's development. Further, we still believe the NYeNet has the potential to deliver secure and seamless access to its users. To meet this goal, however, OFT must commit to filling the leadership gap that has hampered the NYeNet's management and execution, and do what it takes to realize the intended benefits of the NYeNet. OFT should also implement the recommendations in this report to provide for comprehensive and competent project management and an effective marketing strategy to convince users to participate, to the fullest extent possible, in the NYeNet.

COMMENTS OF OFFICIALS

OFT officials responded that they generally realize the value of our recommendations and indicate that they have already implemented some of them. They do not agree with our assessment that the NYeNet has not met its goals.

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INTRODUCTION

Background

Telecommunication networks are comprised of specialized operating system software and sophisticated hardware such as routers, switches, and circuits. Such networks enable users to access computer application systems and data necessary to accomplish business needs regardless of geographic location. Over the years New York State government agencies have built many individual telecommunication networks. Very often these networks have been built to enable central, regional and local office users of a particular agency to exchange data with each other and to access shared computer applications.

For example, the Department of Correctional Services uses its network to communicate with each correctional facility. The Office of Parks, Recreation and Historic Preservation uses its network to communicate with regional offices, parks and historic sites. The Department of Motor Vehicles uses its network to communicate with regional and county offices, and the Department of Health network enables communication with hospitals and regional and county offices. Other major networks include SUNYNet, which links the campuses of the State University of New York, and CRIMNET, which links criminal justice users at the State and local level. Another statewide telecommunication network is the Empire Net. This network is administered by the Office of General Services and uses about 4,000 remote circuits to allow users in over 50 State agencies to connect to specific agency networks. In some instances, the business partners of State agencies, including vendors and voluntary providers, also rely on State telecommunication networks.

While the State's networks serve many important needs, they are generally incompatible. Therefore, it is difficult, if not impossible, to exchange information seamlessly between them even though some of the networks travel over the same telecommunication lines using common software and communications protocols. Moreover, to support and operate each network requires various levels of staff and other resources. Consequently, the profusion of incompatible networks among New York State agencies is costly and

ineffective in meeting needs that span multiple users. A 1992 study by the New York State Forum for Information Resource Management entitled "Telecommunications: A Vital Infrastructure for New York" addressed some of these issues. The study recommended that the State undertake a comprehensive program to merge its existing networks. Subsequently, in 1996, the Office for Technology (OFT) convened a workgroup of State and local government officials with a goal to improve telecommunications in New York State. The workgroup determined that the State needed a single mechanism to provide reliable and secure communication service across all levels of State government. In August 1996, OFT Policy 96-11 (Policy) identified that this mechanism would be the "NYeNet." The Policy established a Governance Council composed of State and local representatives to guide the implementation of the NYeNet. (The Governance Council later delegated its responsibility to the NYeNet Management Board.) Decision-making and management authority for the design and implementation of the NYeNet resides with OFT which is headed by the Director, who in turn reports to the State's Chief Information Officer.

According to the Policy, the NYeNet was to connect State and local government regardless of location. The agencies connected to the network were to share information seamlessly through access to advanced applications provided in a secure and user-friendly environment. As envisioned in the Policy, NYeNet users would be able to use their desktop workstations to access all the information and services to which these users had authorization. The cost savings generated through the efficiency of a single telecommunications network were to be reinvested to further expand NYeNet services.

To connect NYeNet users, OFT needed a digital backbone infrastructure with adequate capacity and redundancy to permit information to flow uninterrupted to virtually all areas of the State. This infrastructure was achieved through eight fiber-optic cables installed along the New York State Thruway and available through the State Office of General Services. The eight cables run from Albany to New York City, from Albany to Buffalo and from Albany to Plattsburgh near the Canadian border. OFT undertook a number of pilot projects to test and evaluate the ongoing implementation of the NYeNet. One such project was the Albany Metropolitan Area Network (MAN) that connected about a dozen state agencies in the Capital District.

In August 1999, OFT contracted with a telecommunications company to provide operating services for the NYeNet. The contract required the company to monitor how the NYeNet was working and to diagnose and resolve any problems that occurred. The contract also required the company to migrate Empire Net and other State networks to the NYeNet. On June 12, 2000, the Governor formally announced that the NYeNet was operational and ready to begin service to customers.

During fiscal year 2000-2001, OFT began to implement NYeNet services that would make it possible to share agency-specific applications among organizations and users. These services include the NYeNet Directory Service, which enables authorized users to easily access shared State applications and Authentication Services, which secure applications by limiting users' access to only those applications that they are authorized to use.

Audit Scope, Objective and Methodology

We audited OFT's implementation of the NYeNet for the period August 1, 1996 to October 31, 2002. The objective of our performance audit was to determine whether the NYeNet met its major goals. To accomplish our objective, we reviewed and analyzed OFT policies and procedures pertaining to the planning, design and development of the NYeNet; State contracts to service and support the NYeNet; and available reports on the project management and cost of the NYeNet. We interviewed various OFT, State agency and county managers who had a role in NYeNet design and implementation. We also reviewed information and reports showing how NYeNet user needs were considered, and we evaluated documentation on the steps, including pilot projects, to test the NYeNet. In addition, we compared the billing rates established for NYeNet usage to those billing rates of private vendors providing similar telecommunications services.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those OFT operations included in our audit scope. Further, these standards require that we understand OFT's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations which are included in our audit scope. An audit includes examining, on a

test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by agency management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability of needing improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. We devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an “exception basis.” This report, therefore, highlights those areas needing improvement and does not address in detail activities that may be functioning properly.

Response of OFT Officials to Audit

We provided draft copies of the matters contained in this report to OFT officials for their review and comments. We considered their comments in preparing this report and have included them as Appendix B. Our comments to their response are included as Appendix C, State Comptroller’s Notes.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Director of the Office for Technology shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein and where recommendations were not implemented, the reasons therefor.

NYeNET ACCOMPLISHMENTS

The NYeNet was to be a unified, statewide telecommunication network system providing users with superior, secured access and services at competitive rates that enabled cost savings for reinvestment in the network. The NYeNet was to reduce costs to State and local governments and was expected to break even within three to five years of operation. (Initial expectations were for the network to break even as early as June 1998.) Effective June 12, 2000 the digital fiber optic backbone for NYeNet was in place. As of October 2002, many agencies had their work locations physically connected to the NYeNet enabling them to use the NYeNet to meet some of their day-to-day telecommunications needs such as transmitting data between various locations. In addition, those services available from the NYeNet were offered at rates that appeared favorable in comparison to those offered by other providers for similar services.

However, overall goals are far from accomplished. With the limited accomplishment of NYeNet goals, the State's telecommunications environment remains less efficient and effective than it ought to be. Multiple networks and related resource requirements continue to coexist, substantial shared access to data and systems across levels of government from any location has not been achieved and the \$42.7 million investment in the NYeNet has not been maximized to enable cost savings and operational efficiencies.

Although NYeNet goals have not been fully accomplished, we conclude that the network still has the potential to deliver secure, seamless and cost effective access to users as initially envisioned. To do so, however, requires OFT to follow a formal project management methodology for the evolution of the NYeNet and to use the information derived from such a methodology to communicate a marketing strategy that convinces State and local government users of the reliability and utility of the NYeNet for business.

(In their response to our draft audit report, OFT officials indicated that they believe the NYeNet has and continues to meet the objectives originally identified for the network, and

cited several goals and expectations that they indicate as being met.)

Auditor's Comments: According to the 1995 Governance Council for the NYT document, prepared by the Governor's Task Force on Information Resource Management (which was the predecessor to OFT), the goal of the NYT is to provide a single, common, secure network for state and local government use; to create an environment that fosters information exchange; and to reduce duplication in networks and reduce costs to State and local governments. Further goals and objectives for this project were subsequently identified in several other documents, such as OFT's Technology Policy 96-11. While we recognize that some of the goals and objectives for the project have been attained, the overall goals for the project are far from accomplished, as reported in the following paragraphs of this section of the audit report.

Network Consolidations

The goal for substantial consolidation and elimination of State agency networks has not been achieved. OFT was to initially consolidate six State agency telecommunications networks within the NYeNet. These six were: CRIMNET; Empire Net; the MAN; SUNYNet; the Long-Distance Inter-City Network Communications System (LINCS), which offers telephone services for State agencies; and the Division of the Lottery Network. As of September 2002, only the MAN, LINCS and the Empire Net were substantially migrated to the NYeNet. As of this same date, CRIMNET was in the process of consolidation and SUNYNet and the Lottery Network remained as independent networks. No documentation was provided to us to identify plans for the further consolidation of State networks beyond these initial six.

Shared Applications

As of September 2002, the NYeNet Directory contained relatively few applications. Further, those applications that were included were not the larger mission critical systems such as the Department of Health's Medicaid Payment System, the Department of Labor's Unemployment Insurance System or the Department of Motor Vehicles' Driver License and Registration System. Most of the applications that are part of the Directory

are generally those used by a single agency. Moreover, because the Directory is a vendor software product, OFT must maintain licenses for users of the Directory software. In this regard, OFT spent \$2.8 million to purchase over 200,000 license agreements to use the Directory and spends about \$100,000 annually for maintenance costs on these licenses. The lack of available shared applications on the NYeNet results in under utilization of this investment. As of September 2002, only about 50,000 licenses (25 percent) were being used.

OFT officials told us that certain agencies have applications on the Directory and are using these to support important business needs. Specifically, the Consumer Protection Board uses the Directory for a web-based application that allows citizens to register in a State database if they do not want to receive telephone calls from telemarketers. The Workers' Compensation Board uses the Directory to authenticate doctors, nurses and attorneys to its web-based electronic case folder. The Office of Real Property Services uses the Directory to authenticate assessors for State, local and county governments to its online Real Property System.

OFT officials also stated that it was never intended that all significant State applications, particularly legacy systems, would use the Directory. OFT officials stated that the State agencies are the owners of applications and ultimately are responsible for deciding how to share them. We agree that agencies are responsible for deciding how to share their applications on networks. However, OFT officials could influence agencies to decide to consider the Directory if they would finalize policies and procedures that describe how the Directory operates, what steps agencies need to take to make sure their applications can work properly in this environment, and what levels of technical support can be expected from OFT.

Network Costs

Based upon financial data provided by OFT, we determined that as of March 31, 2002, the NYeNet has experienced a cumulative operating loss of about \$22.8 million (i.e., total development costs in excess of billing revenues). OFT estimates that the NYeNet will generate total net income of \$1.74 million during the period April 1, 2002 through March 31, 2006. This estimate does not consider the prior periods accumulated losses. Therefore, the NYeNet is not likely to break even within the next three to five years or, for that matter,

any time in the foreseeable future. By not generating savings in the planned timeframes, there is risk that resources may not be available in the future to purchase necessary equipment and software upgrades to keep the NYeNet current with technological advances and changing user needs.

One of the benefits to be gained from network consolidation was greater efficiency and lower costs for local government. For example, one third of Empire Net's 4,000 remote circuits are located in local government office buildings requiring multiple telecommunication lines to reach State agency locations in Albany. Furthermore, sometimes these local government users have to use a unique computer terminal for each State agency application they need to access to conduct business. The NYeNet was to eliminate these inefficiencies. However, based on our observations and our discussions with local government users, there has not been much progress in these areas.

Project Management Methodology and Marketing Strategy

Effective project management methodology for a major project such as the NYeNet requires that conceptual goals be refined to more specific and/or quantifiable objectives necessary to formulate a clear understanding of the scope of development requirements and to provide a solid basis for monitoring and measurement of development progress. For the NYeNet, such quantifiable objectives could have included specific identification of all of the State's telecommunications networks that were to be migrated to the NYeNet and time frames for such migration, the number of redundant telecommunication lines at local government sites that would be eliminated through the NYeNet, and the specific agency applications that were to be made accessible on the NYeNet in a shared manner. Furthermore, a project of the size and complexity of the NYeNet should have included a feasibility study to thoroughly explain scope and resource requirements of the project; business and strategic needs to be addressed as a result of the project; anticipated costs and benefits of the project; and the time frames to accomplish key milestones. The feasibility study should also present the potential risks inherent in the project and should discuss these risks as compared to the risks of viable alternatives to accomplish the same objectives. Finally, the feasibility study should be kept current as the project evolves.

However, in planning and implementing the NYeNet, OFT did not adequately provide for sound project management. OFT did not set specific measurable objectives for the project, evaluate the size and cost of the existing State telecommunications networks, or perform an adequate feasibility study to identify costs and benefits of the NYeNet undertaking. Essentially, OFT introduced the NYeNet as a remedy for an existing problem without first identifying the dimensions of the problem and without doing the ground work that would be necessary to measure, monitor and communicate the true status and success of the remedy. The lack of adequate project management for the NYeNet development is somewhat surprising because in 2001 OFT published its New York State Project Management Guidebook that documents common project management methodologies and provides extensive advice to project managers at State government entities.

We conclude that the lack of adequate project management methodology has likely impeded the timely accomplishment of NYeNet goals. Most notably, however, the lack of adequate project management methodology has left OFT without the reliable information that can be communicated to users as part of a marketing strategy that convinces potential users to commit to using the NYeNet. Because use of the NYeNet is voluntary, such information gaps can significantly and adversely impact NYeNet utilization.

For example, users explained that OFT did not provide timely and accurate information about what NYeNet services would be provided and when. In November 1996, OFT informed agencies that NYeNet services would be available starting in June 1998 and that by January 2001, users could expect access to a statewide network with significant amounts of information. When it became apparent over time that this commitment could not be met, OFT did not adequately update prospective government users about the revised status of the NYeNet. Agency and county representatives also indicated OFT took years to provide even the most basic information about the operation of the network. OFT planned to provide a "Starter Kit" (description of how to prepare to use the NYeNet and identification of available services) to all interested prospective NYeNet users by December 1997. However, OFT did not provide this very basic information until March 2002 when users were first advised that NYeNet services were available.

State agency and county officials also indicated that they had concerns about OFT's ability to provide them with adequate technical assistance necessary to ready their systems for use on the NYeNet. They further expressed uncertainty about the ability of the NYeNet to deliver the services they require at competitive rates. Already some users are working with new emerging networking technologies, such as wireless networks, to effectively meet needs at rates reportedly much less than the NYeNet. Some agencies are exploring Internet services for data communication needs. In surveying what other States are doing to provide telecommunications services, we found a variety of emerging options that enable customers to compare prices and service deliveries. Colorado has entered into a public-private partnership with several telecommunication companies whereby services are provided to local governments, businesses and private citizens at fees that include ceilings. Arizona has implemented an automated service that allows any telecommunications provider to bid on an agency service request in order to obtain the most competitive prices. We did conclude that the rates the NYeNet presently offers for available services appear to be competitive to those available in the marketplace. If OFT had established and maintained a feasibility study for the NYeNet, users could continuously be apprised of whether and to what extent the NYeNet was viable for their needs in view of emerging technologies and telecommunications options.

Clearly, the viability of the NYeNet depends on OFT developing and communicating to potential users a marketing strategy that provides them with current, comprehensive and accurate information about the availability of NYeNet services, OFT's ability to support such services and the overall cost effectiveness of the NYeNet, especially in view of emerging and competing alternatives. We recommend that OFT implement such a strategy as soon as possible in conjunction with establishing the project management methodologies that can generate the information needed to drive the marketing strategy with the user community. In responding to our observations, OFT managers informed us that they conducted many meetings with agency and county officials about the status of the NYeNet during its implementation. However, OFT officials also acknowledged that communication could have been better, with some shortcomings occurring during the project's startup. They indicated that they have recently taken steps to improve

communications, including establishing a NYeNet customer relations team.

Recommendations

1. Adhere to an adequate project management methodology for the evolving NYeNet including documenting specific and/or quantifiable NYeNet objectives and maintaining a feasibility study in support of evolving NYeNet goals and objectives.

(OFT Response: OFT officials indicate that they recognize the importance of a project management methodology, and that they did utilize project management tools during the NYeNet's implementation.)

Auditor's Comment: While OFT may have utilized project management tools during the NYeNet implementation, they did not adequately develop measurable objectives for the project, evaluate the size and cost of the existing networks, or perform a feasibility study, which are all part of sound project management practices.

2. Utilize information provided from a NYeNet project management methodology to keep users apprised of the viability of the NYeNet for their operations.

(OFT officials indicate that they recognize the value of communication with customers and outlined some of the measures taken to address these issues.)

3. Develop a marketing strategy that convinces users to commit to the NYeNet so that it becomes cost effective and accomplishes stated goals and objectives.

(OFT officials indicate that they have already implemented elements of a marketing strategy and will continue to do so.)

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April 25, 2003

Mr. Jerry Barber
Assistant Comptroller
New York State Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. Barber:

I am in receipt of your March 27 letter and the accompanying draft audit report (2002-S-13) of the NYeNet implementation. We are pleased that the report recognized the NYeNet's potential to deliver secure and seamless access to its users and that those services are offered at competitive rates. However, we disagree with several of the observations and conclusions contained in the report, and urge you to consider the response contained in this letter in preparation of the final report.

As one specific point, we take issue with the audit's opening conclusion "... that the NYeNet has not attained all of its major goals." We believe the NYeNet has and continues to meet the objectives originally identified for the network.

The original direction and goals of the NYeNet (formally the NYT) are as follows:

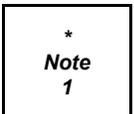
The goal of the NYT is to share information, increase services and reduce costs.

The NYT will:

- *Have greater capability than what currently exists;*
- *Operate within a framework that accords each participant a voice in shaping the network and that appreciates each agency's need to move at its own pace;*
- *Rely on technology and prevalent standards that have proven worth;*
- *Facilitate interagency endeavors;*
- *Advance common applications;*
- *Reduce costs to users; and*
- *Leverage technical and programmatic expertise from all levels of government and public sector entities.*

The NYeNet has in fact accomplished each of these goals as follows:

- *The NYT will have greater capability than what currently exists...*



Web Site: www.oft.state.ny.us
E-mail Address: nyoft@oft.state.ny.us

The NYeNet was originally architected as a completely redundant OC48 linear backbone with a total capacity of 1,240Mbps of dedicated throughput engineered using multiple OC3 (155Mbps) rings. The NYeNet backbone continues to be expanded to enable fast Ethernet connectivity among agencies and between agency offices to eliminate the potential for bandwidth contention in the future.

As such, the NYeNet has significantly greater capability than the individual state government networks (i.e. EmpireNet, LINCOS, Lottery, CRIMNET, SUNYNET, etc.) combined. These individual networks, combined for approximately 850.5 Megabits per second (Mbps) of dedicated throughput.

*
Note
2

- *The NYT will operate within a framework that accords each participant a voice in shaping the network and that appreciates each agency's need to move at its own pace...*

NYeNet stakeholders have a voice in shaping the strategic direction of this intranet. As your report states, the Governance Council and NYT Management Board are comprised of stakeholders from state and local government. The Management Board met biweekly to shape the strategic direction, provide oversight and adopt the proposed rate structure for NYeNet services.

OFT solicits and obtains most customer feedback through the Customer Relations Team's regularly scheduled meetings with agencies as well as through participation at multiple agency (State and Local) events and interest groups (ICEDP, Forum, NYSLGITDA, etc.). Feedback obtained via these methods is communicated to NYeNet and OFT Operations management for information and/or action.

- *The NYT will rely on technology and prevalent standards that have proven worth...*

The NYeNet is a standards-based routed IP network. As such, the NYeNet relies on open (and proven) standards rather than proprietary, vendor-driven standards. By doing so, the NYeNet remains flexible, promotes competition and is not wedded to a particular technology that could be easily rendered obsolete.

- *The NYT will facilitate interagency endeavors...*

*
Note
3

A fundamental design tenet of the NYeNet is to facilitate interagency communications and to promote shared services. A current example is the project underway which is sponsored by the Office for Technology and the Social Security Administration (SSA) where a connection will be established to facilitate sharing information between State and Federal agencies. Within New York State, this information pipeline will use the services of the NYeNet. Initial users for the pilot system include OMH, OMRDD, OTDA, DOH and DTF.

- *The NYT will advance common applications...*

*
Note
4

The NYeNet is the 'backbone' for many advanced common applications including the NYS Office of the State Comptrollers PAYSR application and the NYS Department of Civil Services NYSTEP program.

- *The NYT will reduce costs to users...*

NYeNet has already and continues to achieve cost savings. A review of the NYeNet financial statements does not represent the complete picture on savings, as it does not reflect savings captured in agency budgets by virtue of not having to order individual circuits. For example, costs to agencies for Internet Access have been slashed by over two-thirds as the NYeNet delivers cost savings via high-speed, high-capacity access to the Internet. If this service was not aggregated across the NYeNet, state agencies would be paying \$75,799 per month at state contract rates rather than the \$20,800 currently charged under the NYeNet.

*
Note
5

- *The NYT will leverage technical and programmatic expertise from all levels of government and public sector entities...*

As an example of local government involvement, Erie and Monroe Counties intend to back-up each other's data center via connectivity over the NYeNet. OFT is also working on a collaborative effort with Nassau and Suffolk Counties, NYS DOT and NYPA to provide high-speed, diverse connectivity across Long Island from Manhattan and White Plains. In addition to driving down the expense, this will allow the counties to collaborate on a data center back-up plan like that of Monroe and Erie County and provide ePort connectivity to the SEMO and NYC EOC.

With regard to the specific recommendations provided in the report, each one is addressed as follows:

Recommendation #1 - Adhere to an adequate project management methodology for the evolving NYeNet including documenting specific and/or quantifiable NYeNet objectives and maintaining a feasibility study in support of evolving NYeNet goals and objectives.

OFT recognizes the importance of a project management methodology and has been a champion for the use of project management throughout the state. While much of the NYeNet implementation took place prior to OFT's publication of the New York State Project Management Guidebook, OFT is committed to adhering to these methodologies and did utilize project management tools during the implementation.

Recommendation #2 – Utilize information provided from a NYeNet project management methodology to keep users apprised of the viability of the NYeNet for their operations.

We believe OFT has kept users apprised of the viability of the NYeNet. OFT recognized the value of full two-way interaction with our customer community by formally establishing the Customer Relations Team (CRT), which informs our customers of current and planned capabilities of the NYeNet. The CRT carries out several responsibilities, including:

- Provide customer marketing to new and existing customers.
- Develop and administer profile/survey of OFT customers to better understand customer needs and ensure that OFT is aligned with the direction of other agencies.
- Establish formal liaison program with customers to improve communications, including regular face-to-face and electronic communication between customers and CRT liaisons as well as an executive-level program for improved communication and coordination of strategic initiatives.
- Implement the "Bridge the Gap" coordination project between State and Local Government, to enable OFT to identify, assess, prioritize, and develop a plan of action to address technology issues facing local governments when dealing with State Agencies.

Recommendation #3 – Develop a marketing strategy that convinces users to commit to the NYeNet so that it becomes cost effective and accomplishes stated goals and objectives.

OFT has already implemented elements of a marketing Strategy for the NYeNet and will continue to do so. These elements include:

1. Ongoing outreach to current and potential customers, including:
 - Monthly meetings with 8-15 State Agencies. The various services of the NYeNet are a primary topic at all such meetings.

- Providing presentations and hosting booths at the NYS Local Government IT Directors Association conferences;
 - Providing project and status updates at various meetings and conferences;
 - OFT website project and status updates.
2. A marketing program that consists of:
- Hosting an NYeNet Information Day at the Empire State Plaza;
 - Providing several levels (executive to technical) of NYeNet presentations at the OFT Open House;
 - Publishing a NYeNet Interconnect Information Package (mailed to each agency and published on the OFT website).
3. Promotion of the NYeNet at the following local, regional events:
- NYS Association of Towns conference;
 - NYS Association of Counties conference;
 - NYS Public Welfare conference;
 - "Six Counties" IT Consortium meeting;
 - Government Management Information Sciences International Conference;
 - Various county events throughout the year.

Please also note that the Office for Technology is headed by the Director, who in turn reports to the State's Chief Information Officer.

We appreciate the opportunity to comment on the draft report. We believe that the NYeNet has achieved its initial goals and has developed into a strategic part of the state's technology infrastructure. Significant progress has been made in connecting many agencies together and proving out the value of a centralized network. As this happens, the economies associated with this effort become increasingly realized and the Office for Technology is continuing to take steps to aggregate services, drive down costs and deliver quality service. New circuits, new applications are constantly being added, and the NYeNet is now a part of how most agencies deliver critical services to the citizens of New York.

Sincerely,



Michael McCormack

State Comptroller's Notes

1. According to the 1995 Governance Council for the NYT document, prepared by the Governor's Task Force on Information Resource Management (which was the predecessor to OFT), the goal of the NYT is to provide a single, common, secure network for state and local government use; to create an environment that fosters information exchange; and to reduce duplication in networks and reduce costs to State and local governments. Further goals and objectives for this project were subsequently identified in several other documents, such as OFT's Technology Policy 96-11. While we recognize that some of the goals and objectives for the project have been attained, the overall goals for the project are far from accomplished.
2. As noted in the report, although the NYeNet has significantly greater capacity than the individual networks combined, many of these individual networks continue to exist as independent networks. Therefore, although an objective of increased capacity has been achieved, the goals of reducing duplication in networks and providing a single, common, secure network have not been achieved.
3. As noted in the report, at the time of our audit, there were relatively few applications in the Directory, and those applications that were included were not the State's larger mission critical systems. It appears as though OFT is progressing in including some of the more significant systems in the Directory.
4. Although OFT officials cite two applications that have been advanced as a result of the NYeNet, PAYSR and NYSTEP, both of these applications were operational in the late 1990's, well before the NYeNet was available in June 2000. While these applications may currently use the NYeNet for data transmission, their advancement can not be attributable to the availability of the NYeNet.
5. According to documents provided by OFT, these cost savings are attributable to specific state agencies that are participating in a designated "bridge group" to acquire Internet services, rather than purchasing these services individually under current State contract rates. It appears as though the identified savings have been realized as a result of this group participation, rather than as a result of the NYeNet.
6. While OFT may have utilized project management tools during the NYeNet implementation, they did not adequately develop measurable objectives for the project, evaluate the size and cost of the existing networks, or perform a feasibility study, which are all part of sound project management practices.
7. OFT officials indicate that they believe that OFT has kept users apprised of the viability of the NYeNet. However, as indicated in our report, intended users of

the NYeNet felt that communication was often inadequate. We believe the establishment of the Customer Relations Team is a positive step in the process of keeping users apprised of the viability of the NYeNet for their operations.