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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

September 8, 2004

Mr. Michael McCormack  
Director  
Office for Technology  
Empire State Plaza  
Albany, NY 12220-0062

Re: Report 2004-F-23

Dear Mr. McCormack:

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 have followed up on the actions taken by officials of the Office for Technology (OFT) to implement the recommendations contained in our audit report, Implementation of the NYeNET (Report 2002-S-13).

**Background, Scope and Objectives**

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 was also to 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 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. For the fiscal year ended March 31, 2003, OFT's records indicate that NYeNET costs totaled \$35.3 million.

Our initial audit report, which was issued on August 18, 2003, examined whether the NYeNET had met its major goals. Our report concluded that the NYeNET had not attained all of its major goals because OFT did not exercise adequate leadership over the NYeNET implementation. In particular, we found the NYeNET had not become a common and unified statewide telecommunications network for all levels of government. Further, we determined that the NYeNET had the potential to meet all of its major goals if OFT followed a formal project management

methodology for the evolution of the NYeNET, and used the information derived from such a methodology to communicate a marketing strategy that convinced State and local government users of the reliability and utility of the NYeNET for business.

The objective of our follow-up, which was conducted in accordance with Generally Accepted Government Auditing Standards, was to assess the extent of implementation as of July 28, 2004 of the three recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that OFT officials have taken a more active leadership role in implementing the NYeNET. In addition, we found OFT has improved its marketing strategy for the NYeNET and increased communication with customers and potential users about NYeNET services. However, additional improvements are needed in OFT's project management practices for the NYeNET implementation. Of the three audit recommendations, two recommendations have been implemented and one recommendation has been partially implemented.

### **Follow-up Observations**

#### **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.*

Status - Partially Implemented

Agency Action - OFT has taken several steps to use project management tools when implementing the NYeNET during the past few years. Such steps include developing an overall strategic plan that includes goals related to NYeNET services, establishing customer feedback mechanisms, and creating plans with time frames for significant aspects of the NYeNET implementation. These plans identified specific goals related to converting agency communication circuits to NYeNET connections, interconnecting local government fiber networks to the NYeNET, and implementing certain NYeNET infrastructure enhancements.

However, OFT still has not developed measurable objectives for the project's overall success, evaluated the size and cost of existing State networks, or maintained a feasibility study for the NYeNET. OFT has not conducted any additional cost-benefit analysis for the project since our audit, which would include analyzing estimated NYeNET infrastructure upgrade and maintenance costs. Further, OFT has not compared NYeNET costs to similar private-sector service offerings. Subsequent to our audit, only minimal gains have been made related to consolidating agency networks and applications to the NYeNET.

## **Recommendation 2**

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

Status - Implemented

Agency Action - OFT has created a Customer Relations Team (CRT) to build relationships with customers and educate them about OFT products and services including the NYeNET. The CRT has identified customer liaisons who routinely meet with agency and local government representatives to obtain feedback about any service problems they may have and coordinate with them how the NYeNET can be used to meet their business needs. In addition, OFT has developed and communicated comprehensive guidance and policies to users about using NYeNET services. OFT also has dedicated staff to providing technical assistance whenever needed related to NYeNET services.

## **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.*

Status - Implemented

Agency Action - Since the completion of our audit fieldwork, OFT undertook many activities to better market the NYeNET. This includes publishing informational packages that clearly describe available NYeNET service offerings and rates, which have been mailed to each agency and published on the OFT website. In addition, CRT customer liaisons actively market the NYeNET to agency and local government representatives.

Major contributors to this report were Brian Reilly, Mike Farrar, and Mark Ren.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Agency for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Steven E. Sossei  
Audit Director

cc: Robert Barnes, Division of the Budget