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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

DIVISION OF STATE SERVICES

**NEW YORK STATE
EDUCATION DEPARTMENT**

**USE OF INFORMATION
TECHNOLOGY FOR
PROFESSIONAL LICENSING
AND RENEWAL**

Report 2006-S-22

AUDIT OBJECTIVES

Our audit objectives were to determine if the State Education Department's Office of the Professions (Office) is (1) optimizing information technology to minimize processing costs and times for professionals to apply for and renew licenses and (2) is fully covering its operating cost, as required by the State Finance Law.

AUDIT RESULTS - SUMMARY

In 1998, the State Education Department (SED) initiated the Online Licensing Project (Project) to expand its use of technology for the application and registration renewal processes for professional licenses. However, progress on the Project has been limited because there were problems with contractor performance and because SED did not consistently follow standard project management guidelines.

The Project is currently more than four years late based on an original contract completion estimate of December 31, 2001. Consequently, SED has not optimized the use of information technology to reduce the processing costs and times for people to apply for and renew professional licenses. Application and registration renewal for professional licenses in New York State generally continue to be costly labor-intensive, paper driven, mail-in processes.

Since the Project was initiated, SED had five contracts with four vendors. SED cancelled two of these contracts with two vendors. Two other contracts have been completed by one vendor, and the remaining contract has been placed on hold. As of June 2006, SED has spent \$2.4 million on vendor contracts for the Project.

We also found the Office is financially self-sufficient, in compliance with State Law, and fees collected for license applications and renewals are used solely for Office operations.

Our report contains five recommendations pertaining to the use of technology to reduce processing costs and times by allowing professionals to apply for and renew licenses online. SED officials generally agreed with our recommendations and have taken steps to implement them.

This report, dated December 14, 2006, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Services
State Audit Bureau
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BACKGROUND

The State Education Department (SED) Office of the Professions (Office) regulates and licenses 47 professions, up from 37 in 1995. New York currently has over 713,000 professional licensees and over 30,000 professional practice business entities. Among the professions with the highest number of licenses issued are nursing, medicine, accounting, architecture, engineering, pharmacy, and social work.

The Office's responsibilities include reviewing and processing applications for licenses (including reviews of applicants' qualifications) and license renewals, and issuing license certificates. Licenses must be renewed every three years (with the exception of physicians and medical physicists who must renew every two years).

Fees for license applications and renewals are the sole means of financial support for the Office. Typical licensing and renewal fees generally range from \$100 to \$300. For fiscal year 2005-06, the Office reported net revenues of \$36.9 million. SED has not increased the fees to apply for or renew a license since 1987. The Office has 327 employees, and this total has fluctuated little since 2000. For fiscal year 2005-06, the Office's operating costs totaled \$36 million.

AUDIT FINDINGS AND RECOMMENDATIONS

Project Management

In audit report 95-S-42 (*State Education Department: Professional Licensing Operations*), issued in January 1996, we recommended the Office improve its operations through the expanded use of information technology. SED initiated its Online Professional Licensing and Renewal

Project (Project) in 1998 to address this recommendation. The Project's goals were to: (1) provide residents with online application and registration renewal capabilities; and (2) enhance the Office's computer technology, including document scanning and Internet capabilities. SED entered into five contracts to complete the Project. As of June 2006, SED had spent \$2.6 million on these contracts with one successfully completed, two cancelled and two placed on hold. Overall, the Project had significant delays. The Project is currently more than four years late based on an original estimated contract completion date of December 31, 2001.

Although the State had not adopted project management guidelines when the Office started the Project, industry standard project management guidelines and tools were available. Further, in September 2001, the State's Office for Technology released the Project Management Guidebook (Guidebook) to ensure that New York State information technology projects used a standard methodology, were conducted in a disciplined, well-managed and consistent manner, and were completed on time and within budget. The Guidebook recommends identifying the processes and standards that will be used throughout the project and establishing a preliminary budget of staffing and resource costs.

However, SED officials did not consistently follow project management standards, such as those prescribed by the Guidebook. For example, SED officials did not prepare a formal budget prior to initiating the Project, but instead prepared one after receiving vendors' project proposals. As of June 2006, SED could not provide us with a percentage of completion of the Project or the estimated costs to finish it. In addition, the Guidebook prescribes the processes for initiating and

implementing an information technology project. These include the preparation of clearly defined system requirements and expectations, as well as the development of work plans to help ensure that developers and users understand how the system will function. However, SED officials had difficulties establishing clear requirements and expectations with Project contractors.

In addition, when large-scale information technology (IT) projects are being developed, it is useful to have a Project Management Office (or Project Steering Committee) in place to set priorities and to define user and Information Technology Unit resources, roles and duties. This in turn, also helps to assure IT projects are delivered on time, within budget and in compliance with user requirements. At SED, large-scale IT undertakings like the Project are not under the direction of a Project Management Office. For example, both user staff and IT development staff worked together on the Project as well as independently on other undertakings demanding their time and resources.

We conclude that both the lack of project management standards and the lack of an oversight structure, such as a Project Management Office, contributed to delay and inefficiency with the Project. The following paragraphs summarize some of the more noteworthy difficulties that the Project experienced in substantial part as a result of these weaknesses.

In February 1998, SED awarded System Automation Corporation (SAC) a \$1.6 million contract to computerize the processing and renewals of licenses and to offer web-based information to consumers for the Office and two other SED programs. According to Office officials, upon award of the contract, SAC did not recognize or adequately

acknowledge the complexities of the Office's functions and the differences among the three SED programs. In February 1999, SAC provided SED with an analysis of the differences between the system capabilities SED wanted and those the SAC system would provide. Several functions that SED officials thought were within the scope of the contract were declared out-of-scope by SAC. As a result, the contract had to be amended to provide the functionality SED required and to keep the project on track. However, in June 2001 (after paying SAC about \$661,000), SED terminated the contract because of substantial differences between SED's program requirements and SAC's proposed system solutions.

SED subsequently divided this initiative into three separate projects (one for each program) and divided the overall Online Professional Licensing and Renewal Project into two phases (design and implementation). SED contracted with Computer Aid Incorporated (CAI) to design the Online Licensing System. The design was completed in mid-2003. In September of 2003, SED contracted with Deloitte Consulting, LLC (Deloitte) for the implementation phase. At that time, SED also contracted with CAI to monitor Deloitte's work and provide quality assurance reports.

The quality assurance reports from CAI cited project management concerns from the start of Deloitte's work. For example, in October 2004, CAI determined that the Project's work plan remained inconsistent and incomplete, and the critical paths of tasks needed to complete the Project were not understood by all the parties involved in it. At that time, CAI told SED that this would adversely affect the Project's progress and make it difficult for SED to accept deliverables from Deloitte. In addition, Deloitte replaced its project manager three times within 18 months, which further halted the development of Project work plans

and schedules that SED could agree with. After significant delays, SED terminated the contract with Deloitte in September 2005, citing the vendor's failure to provide appropriate project management services and quality deliverables. SED paid \$697,000 to Deloitte prior to the contract termination. In February 2005, SED awarded IS Consilium Incorporated a contract for data conversion.

Because SED does not have online registration and renewal capabilities, the Office must manually process applications and renewals. The application and renewal process includes collecting fees; assessing the applicant's education and compliance with licensing prerequisites; sending applications to the appropriate professional board for review; and issuing the licenses once approved. Most applications and renewals are received through the mail. The process for license application review, issuance, and registration renewal is primarily a manual and paper-intensive one. For example, documentation for first-time license applicants must travel through three units within the Office for sequential processing before a license is issued. If the applications were scanned, staff from each of the units could access the images in the applicant's electronic file simultaneously, thereby reducing the time it takes to process them.

Because the Project has not been completed, the Office may incur additional costs to manually process applications and registration renewals. The Office has a backlog of applications and renewals to process, which has likely increased the need for overtime and temporary service staff in recent years. The Office's overtime costs have tripled over the past three years, from about \$129,000 in 2003-04 to about \$390,000 in 2005-06. Temporary service costs have also increased significantly, from about \$21,000 in 2004-05 to \$104,000 in 2005-06.

Office officials advised us that they began processing applications for 10 new professions (including certain mental health, social and clinical laboratory work) in 2006. As of January 2006, the Office had received nearly 7,700 applications for the new professions, which added to the Office's high workload. According to Office officials, the Office is currently experiencing larger backlogs due to the applications for the 10 new professions. However, because the Office does not maintain periodic backlog data, we could not determine quantitatively the actual extent of any increase in the backlog.

We believe that the expanded use of technology, including an online renewal function, could help the Office reduce the need for overtime and temporary service staff. In fact, we determined that 15 of the larger states have online registration renewal capabilities for at least one of the major professions SED is also responsible for. In addition, we found four states scan or microfilm the original applications and supporting documents into an electronic imaging database. This reduces the amount of paper records and the related costs for document storage. Furthermore, Office staff process professionals' address changes manually. In contrast, most of the larger states allow professionals to change their addresses online, thereby reducing manual work for staff. Moreover, several states informed us that they realized cost savings from IT projects that provided on-line processing and imaging capabilities.

Based on our findings, we recommend that project management standards be followed so that projects can be more effectively monitored and can be completed in a timely manner. Office officials concurred with our recommendations and stated that a proposal to create a Project Management Office was

under review by senior SED officials. Officials have also developed a work plan to have SED staff establish internet-based functionality to allow electronic payments for professional license registration renewals by April 2007.

Recommendations

1. Follow project management standards, such as those outlined in the Office for Technology's Guidebook or other project management tools, to ensure the Project is concluded in a timely, efficient and economical manner.
2. Formally assess the need and feasibility of the establishment of a Project Management Office (or an office with equivalent capabilities and responsibilities) to help ensure that major IT and other program projects are administered efficiently and effectively.
3. Maintain periodic data on the number of license applications and renewals pending approval or other disposition. Analyze the data to determine if there are significant changes in backlogs that may require corrective actions by management.
4. Complete plans for an imaging system to ensure an easier and more efficient access to applicant data by Office staff.
5. Update the Office's system to allow professionals to update information, such as address changes, online.

Fiscal Self-Sufficiency

The Office is required to be fiscally self-sufficient and to remit a portion of its

revenues to the Department of Health for professional medical conduct and physician substance abuse programs. For fiscal year 2005-06, the Office collected a total of \$63 million, and transferred \$26.2 million to the Department of Health.

We found the Office's fiscal practices complied with the Law. For our audit period, we determined that professional fee revenues retained by the Office fully covered the costs of operations. In addition, we analyzed Office expenditures (including payroll and non-payroll transactions) and determined that they were consistent with and limited to Office operations. The largest Office expenditures are for salary and fringe benefits. For the 2004-05 and 2005-06 fiscal years, these expenditures totaled \$27 million and \$27.6 million, respectively. As of March 31, 2006, the Office had a fund balance of about \$2.9 million.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited SED's professional licensing and renewal process for the period of April 1, 2004 through June 30, 2006. We also reviewed State Education laws and regulations along with SED policies, processes and procedures. To accomplish our objectives, we interviewed staff and officials at SED to confirm and enhance our understanding of the professional licensing and renewal process. We reviewed five contracts SED initiated with four different vendors to develop a new online licensing system.

We also researched the best practices of 20 other states and two New York State agencies who offer online services to their licensed professionals. We interviewed officials at the New York State Workers' Compensation

Board and New York State Department of State. We reviewed revenue, expenditure and payroll data and compared the amounts reported by the SED to the amounts recorded on the Office of the State Comptroller's accounting and payroll systems. We used auditing software to analyze expenditure transactions. We reviewed a sample of 35 accounts payable invoices based on dollar amount, frequency of occurrence and object code classification.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

The 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.

REPORTING REQUIREMENTS

We provided a draft copy of this report to SED officials for their review and comment. We considered their comments in preparing this report. A complete copy of SED's response is included as Appendix A. SED officials agreed with all five recommendations made in the audit report. Officials stated that they are taking actions to implement Web-based services for licensed professionals, on-line payments options, and imaging technologies in their professional licensing operations, consistent with the audit's recommendations.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Education 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 why.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Brian Mason, William Clynes, Mary Roylance, Anthony Calabrese, Ekaterina Merrill, Stacey Potaczala, Emily Wood, and Sue Gold.

APPENDIX A - AUDITEE RESPONSE



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November 17, 2006

Mr. Steven E. Sossei, Audit Director
Office of the State Comptroller
Division of State Services
State Audit Bureau
110 State Street, 11th floor
Albany, NY 12236

Dear Mr. Sossei:

I am responding to your October 18, 2006 letter to Commissioner Mills regarding the Office of the State Comptroller's (OSC) draft audit report (2006-S-22) addressing the State Education Department's (SED) professional licensing and renewal process for the period of April 1, 2004 through June 30, 2006.

The Department agrees with all five recommendations made in the audit report. The Department has already taken actions to implement Web-based services for licensed professionals, on-line payment options, and imaging technologies in our professional licensing operation, consistent with those recommendations. Significant progress has been made on the development of a Web-based system to allow licensed professionals to re-register online with a credit card. The re-registration module, which is on schedule to be launched in April 2007, will also allow professionals to update information and change their address online during the renewal process. In addition, a pilot project to image hard copies of licensure files is underway and will serve as a foundation for future expansion. To provide leadership for achieving the Office of the Professions' (OP) technology goals, the Department has taken the necessary steps to hire the services of a qualified project manager who will be strictly dedicated to implementing the OP project. We appreciate your support of our efforts to put in place customer-driven technologies in OP that will significantly strengthen our ability to serve the nearly 725,000 professionals licensed by SED, applicants for licensure, consumers of professional services, and other customers.

Recommendation 1: Follow project management standards, such as those outlined in the Office for Technology's Guidebook or other project management tools, to ensure the project is concluded in a timely, efficient and economical manner.

Recommendation 2: Formally assess the need and feasibility of the establishment of a Project Management Office (or an office with equivalent

capabilities and responsibilities) to help ensure that major IT and other program projects are administered efficiently and effectively.

We agree with both recommendations and have already taken actions toward implementation. The Department has taken the necessary steps to hire the services of a qualified project manager who will be strictly dedicated to implementing OP's technology goals, including Web-based application and renewal services, on-line payment options, imaging technologies, and updated reporting tools to strengthen our ability to ascertain data on the number of license applications and renewals pending approval or other action. The project manager will be charged with and held accountable for following project management standards such as those outlined in the Office for Technology's Guidebook and other project management tools, to ensure that OP's technology project is carried out in a timely, efficient, and economical manner. In addition, the Department has developed a proposal to establish a Project Management Office in SED. Pending the approval of personnel requests made by the Department, our goal is for the project management office to be operational in the first quarter of 2007.

Recommendation 3: Maintain periodic data on the number of license applications and renewals pending approval or other disposition. Analyze the data to determine if there are significant changes in backlogs that may require corrective actions by management.

A weekly status report of items requiring review or processing is collected by each manager of licensing activities in the Division of Professional Licensing Services (DPLS). Given your recommendation, these reports will be expanded to include both licensure and registration functions and analyzed accordingly to drive management decisions. The work now underway to implement OP's technology goals, including updated reporting tools, will strengthen our ability to ascertain data on the number of license applications and renewals pending approval or other action.

Recommendation 4: Complete plans for an imaging system to ensure an easier and more efficient access to applicant data by Office staff.

We agree with the recommendation. SED has made progress on an imaging system in OP to provide for easier and more efficient access to applicant and licensee data by Office staff. A pilot project to image hard copies of licensure files is underway and will serve as a foundation for future expansion.

Recommendation 5: Update the Office's system to allow professionals to update information, such as address changes online.

We agree with this recommendation. Significant progress has been made on a Web-based system to allow licensed professionals to re-register online with a credit card. The re-registration module will allow professionals to update information, such as address changes, online during the renewal process. A detailed workplan is guiding

project development and the project is on schedule to be completed and brought online in April 2007. To date:

- SED has received necessary approval for the project from New York State Electronic Value Transfer Program (EVTA) and the Division of Budget.
- The functional analysis for the online re-registration service has been completed and the technical design and user interface design are now under development.
- SED is seeking final approval from the Office of the State Comptroller to contract for specialized programming skills needed to complete the project.
- Prototype and functionality testing is scheduled to begin in December 2006.

In addition, expanding upon the online services that will be available in the spring to professionals renewing their registrations, we are now identifying the resources needed to update OP's system to enable all professionals licensed by OP to update the address information they have on file with the Office online at any time during their registration cycle.

In conclusion, despite the unsatisfactory experiences with the private vendors with whom we contracted to complete the system build phase of the OP technology project, the results of the investment we have made in technology in OP are serving as a solid foundation for project development work now underway and for next steps. Several key components have been successfully developed for the OP project that will help pave the way for future technology advancements, including:

- ✓ a detailed requirements definition for the on-line licensing and renewals project,
- ✓ a conceptual design,
- ✓ substantial detailed design work,
- ✓ a plan for data conversion with some data converted, and
- ✓ the Department's recently completed teacher certification computer system – TEACH – which enables prospective teachers to apply for certification online, now serves as a point of reference for further developments in OP.

If you have any questions or need additional information, please contact me.

Sincerely,



Theresa E. Savo