

# Office of Information Technology Services

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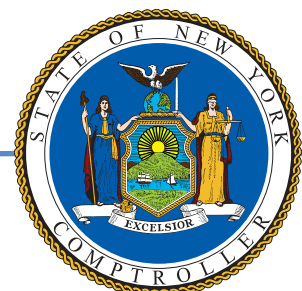
## Oversight of Information Technology Consultants and Contract Staffing

Report 2018-S-38 | September 2019

OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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Division of State Government Accountability



# Audit Highlights

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## Objective

To determine if the Office of Information Technology Services (ITS) is adequately monitoring information technology (IT) services procured from consultants and contract staff to ensure compliance with contract terms and deliverables. The audit covered ITS agreements between April 1, 2015 and July 12, 2018 and subsequent documentation and information provided by ITS through April 29, 2019.

## About the Program

ITS provides statewide IT strategic direction, directs IT policy, and delivers centralized IT products and services that support the mission of the State. ITS procures services through consultants and contract staff and is responsible for monitoring services to ensure compliance with contract terms and deliverables. ITS has a contracts and procurement unit that oversees the procurement of contracts and other purchases, including those for IT services provided by consultants and contract staff. ITS procures IT consultants or contract staff services through a variety of mediums, including: Office of General Services centralized contracts, ITS agency contracts, discretionary contracts, and stand-alone purchase orders. In the fiscal year ended March 31, 2018, ITS had 747 contract employees supporting ITS functions and spent \$50 million on contract labor.

Generally, contracts contain reporting requirements for contractors (e.g., performance metrics), which serve as a means for ITS to accurately monitor contractor deliverables. In addition to the deliverables and terms outlined in their contract or task order, contractors and consultants must comply with the predefined standards – generic terms and conditions for all ITS contracts – outlined within the State ITS Standard Contract Clauses.

## Key Findings

- We found that, in general, ITS is monitoring IT services procured from consultants and contract staff to ensure compliance with contract terms and deliverables. For 14 of the 20 contracts we reviewed, ITS provided adequate oversight to ensure that the contractor or consultant was meeting the deliverables.
- For the remaining six contracts, for which ITS paid out more than \$156 million, deficiencies in contract monitoring – primarily of contractors' reporting and documentation requirements – create a risk that ITS may not have received the required deliverables.
- Most notably, we found significant monitoring deficiencies for the International Business Machines (IBM) Service Desk contract as compared to the others in our sample that also had monitoring deficiencies. ITS did not require IBM to submit summary reports that contained all the information required under the contract and that was necessary to monitor contract deliverables. Furthermore, one year after the contract start date, ITS executed a Project Change Request (PCR), including a pricing rate change. The PCR removed Service Level Credits, which eliminated the opportunity to reduce payments

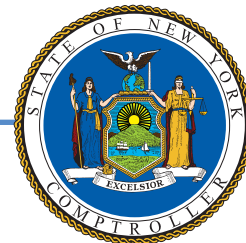
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to IBM if certain performance metrics were not met. ITS did not provide documentation showing the PCR was necessary or in the best interest of the State. Furthermore, ITS did not obtain appropriate OSC approval for the PCR, as required.

- For the five other agreements, ITS similarly did not obtain required reports or other documentation from contractors or consultants or did not verify contractor or consultant performance.

## **Key Recommendations**

- Strengthen monitoring of all agreements so that there is more consistency across ITS, and ensure that all deliverables are met and received within the required time frame in order to protect the interests of the State.
- Formally evaluate the IBM Service Desk contract and take necessary steps to ensure that the IBM contract staff are in compliance.



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## Office of the New York State Comptroller Division of State Government Accountability

September 16, 2019

Mr. Joseph Rabito  
Interim Chief Information Officer  
Office of Information Technology Services  
Empire State Plaza  
P.O. Box 2062  
Albany, NY 12220

Dear Mr. Rabito:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Oversight of Information Technology Consultants and Contract Staffing*. 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.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Division of State Government Accountability*

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# Glossary of Terms

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| <b>Abbreviation</b> | <b>Description</b>   | <b>Identifier</b>       |
|---------------------|--|-------------------------|
| Agreement           | Constitutes either a contract or a HBITS task order        | <i>Key Term</i>         |
| EMP                 | Equipment Maintenance Program                              | <i>Key Term</i>         |
| GSMRT               | Global System Management Reporting Technology Tool         | <i>Key Term</i>         |
| HBITS               | Hourly based information technology services               | <i>Key Term</i>         |
| IBM                 | International Business Machines                            | <i>Service Provider</i> |
| IT                  | Information technology                                     | <i>Key Term</i>         |
| ITS                 | Office of Information Technology Services                  | <i>Auditee</i>          |
| ITSM                | Information Technology Service Management ticketing system | <i>System</i>           |
| LATS                | Leave and Accrual Tracking System                          | <i>System</i>           |
| OGS                 | Office of General Services                                 | <i>Agency</i>           |
| OSC                 | Office of the State Comptroller                            | <i>Agency</i>           |
| PCR                 | Project Change Request                                     | <i>Key Term</i>         |
| SLC                 | Service Level Credit                                       | <i>Key Term</i>         |

# Background

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The Office of Information Technology Services (ITS) was established in November 2012 as part of a New York State Information Technology Transformation to consolidate and merge State agencies' operations and streamline information technology (IT) services. As the State's centralized technology agency, ITS provides statewide IT strategic direction, directs IT policy, and delivers centralized IT products and services that support the mission of the State. ITS has a contracts and procurement unit that oversees the procurement of both contracts and other purchases, including those for IT services provided by consultants and contract staff. According to ITS' policies, program managers are responsible for monitoring project deliverables and timelines, and then determining if deliverables are acceptable and milestones have been met.

ITS can procure IT consultants or contract staff services through a variety of mediums, including:

- Office of General Services (OGS) centralized contracts (e.g., hourly based IT services [HBITS]);
- ITS agency contracts;
- Discretionary contracts; and
- Stand-alone purchase orders.

In the fiscal year ended March 31, 2018, ITS had 747 contract employees supporting ITS functions and spent \$50 million on consultant and contract labor.

HBITS are OGS centralized contracts. These hourly rate contracts are a means by which many State agencies and municipalities acquire contractual IT services for IT consultant work.

Generally, contracts contain reporting requirements for contractors (e.g., performance metrics), which serve as a means for ITS to accurately monitor contractor deliverables. In addition to the deliverables and terms outlined in their contract or task order, contractors and consultants must comply with the predefined standards – generic terms and conditions for all ITS contracts – outlined within the State ITS Standard Contract Clauses.

# Audit Findings and Recommendations

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We found that, in general, ITS is monitoring IT services procured from consultants and contract staff to ensure compliance with contract terms and deliverables. For 14 of the 20 agreements we reviewed, ITS provided adequate oversight to ensure that the contractor or consultant was meeting the deliverables. However, for the remaining six contracts, for which ITS paid out more than \$156 million, deficiencies in contract monitoring – primarily of contractors’ reporting and documentation requirements – create a risk that ITS may not have received the required deliverables.

Most notably, we found significant monitoring deficiencies for the International Business Machines (IBM) Service Desk contract as compared to the others in our sample that also had monitoring deficiencies. ITS did not adequately monitor various areas of the contract to ensure IBM was meeting the deliverables. ITS did not require IBM to submit summary reports that contained the full range of what was required under the contract. Furthermore, one year after the contract start date, ITS executed a Project Change Request (PCR), including a pricing rate change, but did not provide documentation showing it was necessary or in the best interest of the State. Furthermore, ITS did not obtain appropriate OSC approval for the PCR, as required.

For the other agreements, ITS did not always verify contractor or consultant performance or obtain required reports or other documentation. For example, we found that, for an equipment maintenance contract, ITS was unable to verify the information provided by the contractor was accurate. ITS could not cross-reference ticket information from the contractor’s internal ticketing system to ITS’ own ticketing system.

## Monitoring of Deliverables

ITS is not consistently monitoring all its agreements to ensure that contractors or consultants have met the deliverables called for in each contract. For 6 of 20 contracts, ITS approved over \$156 million to be paid to contractors or consultants who did not fulfill all the contract deliverables.

We reviewed a judgmental sample of 20 agreements that included a combination of contracts and HBITS vouchers that had IT service deliverable components. Each HBITS voucher may contain multiple HBITS task orders, and a HBITS task order may appear on multiple vouchers. Because the task orders detail the day-to-day duties and qualifications for individual consultants, we selected an associated HBITS task order for each HBITS voucher in our sample. The agreements we reviewed included:



- 13 ITS contracts, with spending totaling \$396,687,369 between April 1, 2015 to March 7, 2019; and
- 7 HBITS task orders, valued at \$3,160,604 for the full length of the individual task orders that we received, with the latest end date being April 2, 2019.

We found that, although ITS has a contracts and procurement unit that oversees the procurement of both contracts and other purchases, ITS' monitoring of the consultants and contract staff is distributed among many different units and employees throughout ITS, which creates inconsistencies in monitoring and oversight. We found that, for 14 of the 20 agreements that we reviewed, ITS provided adequate oversight to ensure that the contractor or consultant was meeting the agreement deliverables. For the remaining 6 that we reviewed (see table below), ITS did not provide adequate oversight of the contracts and task orders to ensure that the contractor or consultant was meeting the required deliverables.

| Contract/Task Order # | Vendor           | Contract/Task Order Value |
|-----------------------|------------------|---------------------------|
| C000382               | IBM              | \$23,632,960              |
| C000068               | IBM              | \$112,250,152             |
| C000172               | Verizon Wireless | \$10,846,928              |
| PS65207               | The Remi Group   | \$8,172,772               |
| 03-02683              | HBITS Task Order | \$1,412,280               |
| 01-00761              | HBITS Task Order | \$225,920                 |

## C000382 – IBM – Service Desk

Contract C000382, which began in August 2016, was procured to provide Level 1 IT Service Desk and Level 2 End-User Break-Fix Support services. IBM was selected to provide Level 1 services (i.e., the entry point, or single point of contact for all IT incidents and service requests by end users) and its subcontractor would provide the Level 2 services – higher-level break-fix support (incidents pertaining to any end-user devices that require replacement). Level 1 IT Service Desk services include providing the following:

- The phone system that users call when they need assistance;
- Password resets;
- Answers to “How-to” questions for applications such as Microsoft Office suite, Knowledge Base Tips, etc.;
- Level 1 support for alert monitoring;

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- Content improvements to knowledge articles;
  - Level 1 support for business applications identified by ITS; and
  - Level 1 Voice over Internet Protocol support.

As outlined in the contract, IBM would address Level 1 Service Desk tickets and try to resolve them to the extent possible before the tickets would be escalated to Level 2. If the Level 2 ticket is for a break-fix, it is transferred to the subcontractor; otherwise, it is transferred to a State employee. The contract also has other specific requirements, such as:

- IBM was required to report on specific performance metrics such as speed to answer, abandoned call rate, response time, resolution time, and customer satisfaction.
- Where IBM did not meet metrics, Service Level Credits (SLCs) would apply, resulting in a reduction in payment to IBM.
- IBM was required to implement the Watson function, with a go-live date within 180 days of the contract start date. (This functionality provides an automated answer to end-users' IT support questions, to be used as an alternative for calls, chats, and emails directed to the Service Desk.)

In August 2017 – one year into the contract – ITS effected a Project Change Request (PCR). ITS officials stated that the PCR changed a requirement so that IBM was only allotted ten minutes to resolve the issue before it was transferred. It also removed the SLC requirement for the Level 1 Service Desk. We found ITS did not adequately monitor the Service Desk contract – both pre- and post-PCR – to ensure that IBM was meeting the deliverables.

### **IBM Not Reporting as Required**

The contract required IBM to submit annual and monthly reports and outlined the specific information that should be included, such as statistics on monthly actual and projected invoice amounts, actual monthly performance, remediation plans where service level requirements had not been met, and the sum of the SLCs. ITS uses these reports as one method to monitor performance and ensure the contractor is complying with the contract requirements. While ITS provided examples of monthly and even weekly reports that described the Service Desk and Break-Fix end-user performance, these reports did not note any actual and projected invoice amounts or the sum of the SLC amounts, as required. Furthermore, the annual report that ITS provided was only a one-page document that showed minimal monthly performance information. That ITS accepts reports that do not contain the appropriate information, as outlined by the agreement, indicates ITS is not

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closely monitoring the services. In response to our audit findings, ITS officials stated that they closely monitor these services through weekly reports, which results in closer monitoring of the contract. However, the reports we received did not contain full details of contract deliverables, such as performance information. Additionally, they did not contain any actual and projected invoice amounts or the sum of the SLC amounts because SLCs were never applied.

### **Validation of IBM Call Data**

The monthly reports required by the contract contain annual statistics on the contract, such as the number of calls received each month. ITS relies on IBM to report accurately and does not verify the information on the reports. Without a process for verifying reported data, ITS cannot be certain of its accuracy.

We compared the number of calls received by the Service Desk for the period November 2016 through October 2018 with Information Technology Service Management (ITSM) ticketing data, which logs all Service Desk tickets, and found discrepancies for each month: There were significantly more calls received than tickets opened up through July 2017, but thereafter significantly more tickets opened than calls received.

ITS officials stated that call data will never exactly match ITSM data and provided possible explanations for the discrepancies: that users could call in for a status update on the ticket, which would result in more calls than tickets, or that multiple tickets could be opened as the result of one call because the same issue is on multiple machines or the caller has more than one issue. While we acknowledge the validity of these reasons, ITS does not verify the information on the reports submitted by IBM and, therefore, does not know the basis for the discrepancies and whether the call data provided by IBM is reliable.

Additionally, ITS was granted access to the Global System Management Reporting Technology Tool (GSMRT) for monitoring real-time and historic reporting, with both standard and custom report functionalities. ITS officials stated no one is currently utilizing the GSMRT system for monitoring because IBM no longer uses the GSMRT tool. However, ITS was unable to provide any detail or support to show if GSMRT was accessed or how the tool was used for monitoring during any point of the contract period.

### **PCR-Related Issues**

According to ITS officials, they executed the PCR due to the technical limitations in State systems and the desire to maintain tighter controls on protected State data, as well as to save money on the contract. In eliminating

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SLCs, however, ITS also eliminated the opportunity to reduce payments to IBM if certain metrics were not met.

ITS was unable to provide any reports to support whether the performance metrics were or were not being met prior to the PCR going into effect, even though IBM officials stated that all reports for the length of the contract were provided to ITS. ITS officials did, however, inform us that the Service Desk initially struggled with the incoming volume of calls and tickets, indicating that the performance metrics were not being met prior to the PCR. ITS did not receive any SLCs for this period. Our review of monthly reports subsequent to the PCR indicated that IBM was also not meeting the metrics for the Level 1 Service Desk. With SLCs no longer an option, ITS could not realize any underperformance-related cost savings.

Notably, ITS is unable to demonstrate that the PCR saved money overall because no cost analysis was performed. Therefore, it may have been more cost effective to apply SLCs where applicable than to implement the PCR. In response to our audit findings, ITS officials stated they provided documentation clearly showing improved performance and achievement of required service levels because of the PCR; however, ITS provided no such information, nor any documentation to show a pre-/post-PCR performance analysis was performed. Furthermore, because ITS did not provide any summary report that shows performance metrics prior to when the PCR took effect, we could not compare Service Desk performance before and after the PCR.

Additionally, the PCR changed the pricing rate agreed to in the contract. The PCR changed the per-user rate charge from a fixed rate to a variable rate, based on the amount of work performed by IBM. The variable rate will not exceed the fixed rate agreed to in the original contract. However, according to ITS officials, they are unable to confirm how the variable rate is actually calculated by IBM but believe the rate is based on IBM's own costs of doing business. Without knowing how the rate is calculated or IBM's "cost of doing business" if that is, in fact, the basis, ITS has no way of knowing if the variable rate, on a month-to-month basis, is accurate based on the amount of work IBM is performing.

Furthermore, any contract changes that affect price require OSC approval. ITS did not submit the PCR to OSC for approval prior to its execution. ITS does not believe the pricing changed. However, a change in rate – from a fixed rate to a variable rate based on amount of work performed – is a change in the calculation of payment and, therefore, a change in the pricing of the contract. Moreover, the original bids from other interested parties may have

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been less if they did not have to factor in meeting performance metrics, with potential SLCs attached.

## **Implementation of Watson Function**

We also found IBM's implementation of the Watson function and go-live date of this function within 180 days of the contract start date did not occur. The go-live date was not within 180 days from the August 2016 contract start date; it was implemented nearly two years after the contract start date in June 2018. This functionality provides an automated answer to the end-users' IT support questions and is to be used as an alternative for calls, chats, and emails directed to the Service Desk.

## **Other Agreements**

### **C000068 – IBM – Data Center Services**

ITS procured Contract C000068 to provide various performance and deliverable-based services to State agencies for their Data Center Services. One contract provision requires the contractor to provide ITS with monthly progress reports, documenting maintenance service action items and their status, as well as biweekly status reports. ITS was unable to provide us with the monthly progress reports. Therefore, they are unable to monitor the monthly progress and maintenance of such service equipment.

In response to our findings, ITS stated that it engages in more diligent monitoring through the biweekly reports that it receives. The contract language describing the information to be provided in the monthly progress report is vague. Therefore, we cannot determine if different information was required in each report. However, the required deliverables included both monthly and biweekly reports.

### **C000172 – Verizon Wireless – Telecommunication Services**

Contract C000172 was procured to provide comprehensive telecommunication services, including installation, repair, modification, and disconnection of circuits, for the State. One contract requirement states that the contractor must provide monthly summary reports for closed trouble tickets that relate to these services, including circuit numbers affected, ticket numbers, reported trouble, open/closed circuits, trouble resolution, and duration. ITS officials stated that, starting at some point in 2017 to 2018, they no longer receive the monthly summary reports that outline this information. However, ITS officials later stated that the practice of receiving the reports was discontinued prior to 2012, which is inconsistent with their earlier response. During our closing conference, ITS officials also stated they

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would provide auditors with the date that Verizon was officially notified that the monthly reports were no longer required. However, ITS was unable to identify or provide this information.

ITS was also unable to provide us with the report for closed trouble tickets at any point during the contract period, including the period when they still received this report. Officials did, however, furnish us with over two years of actual closed trouble tickets, but only at our request, and the tickets did not include all the pertinent information that the monthly summary reports are required to contain. During our closing conference, officials noted that they could provide the information we requested immediately; however, we did not receive any further documentation.

### **PS65207 – The Remi Group – Equipment Maintenance Program**

Contract PS65207 was procured for an Equipment Maintenance Program (EMP) providing State agencies and authorized users with maintenance of various types of equipment. The contract states that the contractor must provide monthly reports for all EMP services provided to State agencies or authorized users. While The Remi Group submits monthly reports, they are generated from the contractor's internal ticketing system. ITS is unable to cross-reference tickets from The Remi Group's system to its own ITSM ticketing system and is thus unable to verify the information provided in the monthly report. However, as a result of our audit, ITS stated that it has strengthened controls and now requires the vendor to associate the ITS ticket with all repairs performed and tracks this activity in its records so ITS can more easily monitor the contractor's monthly performance.

### **03-02683 – HBITS Task Order**

Task order 03-02683 includes the services of five hourly based consultants to develop, implement, and maintain a single statewide system for the State for all licensing and permitting needs for a Grants and Licensing Program. Time sheets should be completed contemporaneously with time worked to ensure accurate reporting and correct payment for hours worked. For four of the five consultants, time sheets were submitted much later, indicating that ITS may not have been verifying that they had, in fact, worked the appropriate amount of time or worked as they reported. For the four consultants, 18 of the 32 Leave and Accrual Tracking System (LATS) time sheets sampled were submitted 30 or more days after the end of the pay period, with the latest submitted over 100 days after. ITS officials stated the consultants had originally submitted paper time sheets and were later directed to re-enter their previously submitted time into LATS once the contract was included in LATS. ITS provided paper time sheets that were submitted and approved timely, for

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14 of the 18 LATS time sheets submitted 30 or more days after the end of the pay period. However, we question the validity of these paper time sheets because of the delay in receiving this information. We shared this finding with ITS officials on February 15, 2019, but this support wasn't provided until May 28, 2019, over three months later. As a result, ITS may not have been verifying that these consultants were in fact working the appropriate amount of time or working as they reported.

### **01-00761 – HBITS Task Order**

Task order 01-00761 is for a consultant to provide remote support and deployment of Thin Clients and XenApp environment, day-to-day services, and maintenance of the Thin Client and desktop images. According to the task order, the consultant must fully document the processes and procedures and provide end-user training in use of applications. However, the insufficient state of the documentation provided to us leads us to conclude that ITS did not provide adequate monitoring to ensure the consultant complied with this requirement. The brief, one-page document ITS provided appeared to be incomplete, as the last of its numbered-series items was left blank without any information, nor did it identify the author or the date it was created. In response, ITS officials stated that the limited support was in part due to attrition and transfer of the management of this contract from the End-User Services area to the Public Safety Portfolio. We acknowledge that transitions can introduce certain risks; however, with proper succession planning, this situation may have been avoided.

## **Recommendations**

1. Strengthen the monitoring of all agreements for greater consistency across ITS, and ensure that all deliverables are met and received within the required time frame in order to protect the interests of the State.
2. Formally evaluate the IBM Service Desk contract and take necessary steps to ensure that the IBM contract staff are in compliance.



# Audit Scope, Objective, and Methodology

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The objective of our audit was to determine if ITS is adequately monitoring IT services procured from consultants and contract staff to ensure compliance with contract terms and deliverables. The audit covered ITS agreements between April 1, 2015 and July 12, 2018 and subsequent documentation and information provided by ITS through April 29, 2019.

To accomplish our objective and assess internal controls related to our objective, we reviewed State laws and regulations as well as ITS' policies and procedures. We interviewed ITS personnel to obtain an understanding of the monitoring practices as a whole and for the agreements in our sample. We analyzed ITS data related to the agreements such as LATS and ITSM. We also analyzed contract and payment data within First New York and Open Book New York. We analyzed 134,048 lines of ITS' voucher data, which included 359 contracts and 352 HBITS vouchers from April 1, 2015 to July 12, 2018 within First New York. Based on our audit work, we believe the data was sufficiently reliable for the purposes of this audit. We selected and reviewed a judgmental sample of 20 agreements from First New York, which included a combination of contracts and HBITS vouchers that had IT service deliverable components, to determine how ITS was monitoring these agreements and whether the deliverables were being met. We selected the sample based on factors such as the cost and recurring vendors. We additionally selected various judgmental samples for support of the deliverables of the 20 agreements. Because we selected judgmental samples, the results cannot be projected to the population as a whole.



# Statutory Requirements

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## 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.

We conducted our 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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. 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 the purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

## Reporting Requirements

We provided a draft copy of this report to ITS officials for their review and formal comment. We considered their comments in preparing this final report and have included them in their entirety at the end of it. ITS generally agreed with the recommendations and, in fact, noted steps they have already taken and will continue to take to implement the recommendations. Our response to ITS' comments are included in the report's State Comptroller's Comment.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chief Information Officer of the Office of Information Technology Services 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.

# Agency Comments

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## Office of Information Technology Services

ANDREW M. CUOMO  
Governor

August 22, 2019

*By Hand and Electronic Mail*

Ms. Tina Kim  
Deputy Comptroller  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street, 11<sup>th</sup> Floor  
Albany, New York 12236

Re: *Audit Draft Report No. 2018-S-038, Issued July 23, 2019*

Dear Ms. Kim:

The Office of Information Technology Services ("ITS") has reviewed the above-referenced draft report of the Office of the State Comptroller ("OSC") relating to Audit Number 2019-S-038, Oversight of Information Technology Consultants and Contract Staff ("Draft Report"). ITS acknowledges the recommendations and notes that ITS has already implemented them in large part.

ITS concurs with your conclusion that it provides adequate oversight and monitoring of information technology services procured from consultants and contract staff to ensure compliance with contract terms and deliverables. ITS engages in robust contract management practices and is pleased to see the efforts of ITS personnel responsible for contract administration and oversight validated by the lack of any findings or recommendations with respect to the majority of contracts evaluated in the audit.

With respect to the limited findings and recommendations related to contract monitoring in the Draft Report, in no instances did ITS fail to receive contracted for products or services. Accordingly, ITS disagrees with OSC's assertion that "deficiencies in contract monitoring created a risk that ITS may not have received required deliverables." OSC failed to demonstrate that ITS did not receive substantive deliverables called for in those scopes of work. Specifically, ITS received enhanced reporting on a weekly or bi-weekly basis, which went above and beyond contract requirements of monthly progress reports from the contractor. ITS also disagrees that its oversight of any contract demonstrates significant monitoring deficiencies or that the agency did not adequately verify contractor or consultant performance.

In sum, ITS will continue to evaluate its already strong monitoring program to further enhance its oversight of consultants and contractors to ensure continued adherence to the terms and conditions of its contracts.

[\\* Comment 1](#)

**ITS Response to Recommendations:**

**OSC Recommendation (1):** Strengthen monitoring of all agreements so that there is more consistency across ITS and ensure that all deliverables are met and received within the required time frame in order to protect the interests of the State.

ITS Response: The majority of contracts that OSC reviewed in this audit resulted in no findings. We note that in nearly all of the contracts reviewed the “deliverable” that OSC questioned was interval reports. As explained during the audit, ITS employees often work shoulder-to-shoulder with contractors and therefore witness contractor performance firsthand. Going forward, ITS will remind program areas that vendors must provide the contractually required reports notwithstanding confirmed first-hand oversight of the work itself.

**OSC Recommendation (2):** Formally evaluate the IBM Service Desk contract and take necessary steps to ensure that the IBM contract staff are in compliance.

ITS Response: ITS has already undertaken a review of the contract and the payment vouchers associated with the work performed under the contract. As explained throughout the audit, ITS closely monitors the services the vendor provides through enhanced weekly reports. The net effect of receiving more frequent reports than required by the contract is closer monitoring, which is a benefit to the state fiscal because project costs can be tracked by closely focusing on the critical path. ITS also ensures that IBM contract staff are fulfilling their duties under the contract through weekly discussions with the vendor. ITS will continue to ensure that the vendor is providing reports at the required cadence and that the reports contain the contractually-required information.

[\\* Comment 1](#)

**Conclusion:**

As previously communicated to OSC auditors, ITS provides diligent oversight of contractor performance, monitors contractors and consultants to ensure compliance with contracting obligations, and holds vendors accountable to the contract deliverables. ITS is pleased that this audit continues to validate the agency’s vigilance in this area.

Very truly yours,



Joseph Rabito  
Interim New York State Chief Information Officer

JR/cm

# State Comptroller's Comment

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1. ITS' assertion that it received enhanced reporting from the contractor on a weekly or biweekly basis, which went above and beyond contract requirements of monthly progress reports, is misleading. While ITS may be receiving more reports, it is not receiving all the information required under the contract. As demonstrated on pages 9 and 10 of the audit report, for example, the reports submitted did not contain the full details of contract deliverable requirements, such as performance information and actual and projected invoice amounts.

# Contributors to Report

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## Executive Team

**Tina Kim** - *Deputy Comptroller*

**Ken Shulman** - *Assistant Comptroller*

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