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August 7, 1998

Mr. James J. McGowan
Commissioner
Department of Labor
Building 12, State Office Campus
Albany, New York 12240

Re: Report 98-F-32

Dear Mr. McGowan:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the New York State Department of Labor (Department) as of July 15, 1998, to implement the recommendations included in our prior audit "Computer Systems Development" (Report 95-S-126, issued October 3, 1996).

Background

The Department provides various services to employed and unemployed workers in New York State. To help support these services, the Department has developed more than 100 computer application systems. These systems are maintained, and for the most part were developed, by the Department's Bureau of Data Processing Information Services (Bureau). Currently, the Bureau has about 216 staff and an annual personal services budget of about \$14.6 million. Since our prior audit, the Bureau has undertaken four system development related-projects: Remote Initial Claims; Tax Consolidation; Workforce Development; and the Year 2000. These are large projects that were still in process at the time of our follow-up review.

Over the past year, the Bureau has been in the process of merging its operations with data processing units at the Office of Temporary and Disability Assistance, and the Office of Children and Family Services. After this merger, Bureau staff will become part of the Human Services Applications Service Center, which will be part of the newly formed State Office For Technology. The intent of the merger is to consolidate the data processing services provided to the citizens of New York State receiving income maintenance, Unemployment Insurance, Welfare or Medicare. It is expected that the merger will result in more efficient operations and a common approach to service delivery.

Summary Conclusions

At the time of our prior audit, Department users felt that systems developed by the Bureau met operational needs. However, significant delays were often encountered during the systems development process. We recommended several procedures that could reduce these delays and improve both the efficiency and effectiveness of the Department's systems development efforts.

In our follow-up review, we found that Department officials have made significant progress to implement the recommendations contained in our prior audit report. The Bureau has developed more accurate time estimates for completing projects. Projects are divided into smaller tasks or separate phases, with separate time budgets for each task or phase. System specifications are now prepared before major design or programming and changes to system specifications are discussed with and approved by appropriate personnel. Bureau managers have also improved the process for changing system specifications and now better document the nature of the changes made and the dates they were made. The Bureau could further improve this process by considering the additional time and costs associated with system changes. Finally, the Bureau now outlines the system development methodology that will be used in the initial Project Summary.

Summary of Status of Implementation

Of the six prior audit recommendations, Department officials have fully implemented four recommendations and have partially implemented two recommendations.

Follow-up Observations

Recommendation 1

Monitor the accuracy of project estimates and make the estimates more accurate.

Status - Partially Implemented

Agency Action - The Bureau now gives customers more realistic time frames for when projects will be completed. Project managers have improved the accuracy of time estimates by developing a biweekly Time Management Report. This report is used to monitor the accuracy of project completion estimates so that project managers can make necessary forecasting adjustments.

Auditors' Comments - Department officials need to take additional actions to implement this recommendation fully. Although we only found a few instances where it was necessary, Bureau managers have changed estimated completion dates on the Time Management Report when projects take longer than expected. Ideally, the original estimated completion dates should be retained on the Time Management Report, so that managers can better evaluate performance and clearly identify when and where project delays are occurring.

Recommendation 2

Divide overall project budgets into smaller tasks or separate phases, with separate budgets for each task or phase.

Status - Fully Implemented

Agency Action - Since our prior audit, Bureau managers have begun to divide system development projects into smaller tasks or phases. Biweekly Time Management Reports contain estimates for each major task or separate project phase. This allows project managers to monitor progress against the budget and receive advance warning of possible delays.

Recommendation 3

Ensure that system users prepare formal system specifications prior to major design and programming.

Status - Fully Implemented

Agency Action - The Bureau defines the formal system specifications in the Project Summary document. This document is prepared before major design work or programming starts. It includes, among other things, a detailed description of the project with flowcharts and user screens; expected total cost of implementation; the benefits of the implementing the system, including cost savings; identification of the system's importance in meeting the Department's strategic plan; and an outline of project phases and their expected implementation dates.

Recommendation 4

Ensure that changes in system specifications are approved by the appropriate personnel.

Status - Fully Implemented

Agency Action - Bureau procedures require that changes in system specifications be addressed and resolved during project team meetings. Project teams include both technical (system development) and program staff (those who work in the program area). Changes to system specifications must be approved by the program manager and, when appropriate, by upper management. Our review showed changes in system specifications are discussed and approved according to Bureau procedures.

Recommendation 5

Document system specifications changes including the nature of the change, when the change was made, and the cost and time incurred in making the change.

Status - Partially Implemented

Agency Action - Project teams for each system development initiative are required to maintain meeting minutes and provide them to the project manager. Our review of meeting minutes related to changes in system specifications, found that they documented the nature of system specification changes, when the changes were made and, in some instances, the time taken to make the changes.

Auditors' Comments - Additional actions are needed by Department officials to implement this recommendation fully. Bureau managers also need to consider the time and costs associated with changes to system specifications. This will enable managers to determine how these changes will affect the timeliness and cost of system development projects.

Recommendation 6

Adopt a standard system development methodology that will facilitate the planning, implementation, management and control of new information system projects.

Status - Fully Implemented

Agency Action - For each system development project, the Bureau prepares the required Project Summary document that addresses the standard system development phases (i.e., Research/Feasibility; Design; Methodology; Pilot/Testing; and Full Implementation). In addition, the Project Summary addresses project coordination and implementation. A project manager is designated to coordinate each project and a project team, including both technical and program staff, is designated to implement it. Further, the Project Summary identifies performance measures that will be used to evaluate the system during the pilot/testing phase and after full implementation.

Major contributors to this report were Richard Sturm, Jack Dougherty, and Melissa Little.

We would appreciate your written response to this report within 30 days, indicating any additional action you have planned or have taken to address the unresolved matters discussed in this report.

We also thank Department management and staff for the courtesies and cooperation extended to our auditors during this review.

Yours truly,

William P. Challice
Audit Director

cc: Robert L. King, DOB
Michael Bloss, Dept. of Labor
Karen Stackrow, Dept. of Labor